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CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TEACH FOR AMERICA, INC.**

September 30, 2012 and 2011

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# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
**Teach For America, Inc.:**

We have audited the accompanying consolidated statements of financial position of Teach For America, Inc. ("Teach For America") and its subsidiary, Leadership for Educational Equity ("LEE"), (collectively, "TFA") as of September 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of TFA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TFA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teach For America, Inc., and Leadership for Educational Equity, as of September 30, 2012 and 2011, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of TFA as of and for the years ended September 30, 2012 and 2011, taken as a whole. The accompanying supplementary information included on pages 27 through 34, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling information directly to the underlying accounting records used to prepare the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Grant Thornton LLP

New York, New York
February 27, 2013

Teach For America, Inc.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2012 and 2011

| ASSETS | 2012 | 2011 |
|---|---|---|
| Cash and cash equivalents | $ 47,251,037 | $ 31,767,895 |
| Government grants and contracts receivable | 36,463,431 | 17,115,248 |
| Fee for service receivable | 19,542,359 | 15,595,648 |
| Prepaid expenses and other assets (Note G) | 5,906,255 | 4,732,178 |
| Contributions receivable, net (Note C) | 123,585,280 | 138,123,861 |
| Loans receivable from corps members, net of allowance of $545,270 and $686,284 in 2012 and 2011, respectively (Note D) | 10,582,940 | 8,888,097 |
| Investments, at fair value (Note E) | 160,800,743 | 117,494,011 |
| Fixed assets, net (Note F) | 43,684,075 | 39,316,422 |
| Total assets | $ 447,816,120 | $ 373,033,360 |

| LIABILITIES AND NET ASSETS | 2012 | 2011 |
|---|---|---|
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 22,828,609 | $ 18,720,284 |
| Education awards to corps members (Note H) | - | 1,385,766 |
| Deferred rent payable and other liabilities (Note J) | 5,838,853 | 1,993,634 |
| Total liabilities | 28,667,462 | 22,099,684 |
| Commitments and contingencies (Notes J and O) | | |
| Net assets: | | |
| Unrestricted (Note L) | 211,266,616 | 166,970,127 |
| Temporarily restricted (Note K) | 103,720,169 | 94,801,686 |
| Permanently restricted (Note L) | 104,161,873 | 89,161,863 |
| Total net assets | 419,148,658 | 350,933,676 |
| Total liabilities and net assets | $ 447,816,120 | $ 373,033,360 |

*The accompanying notes are an integral part of these consolidated statements.*

Teach For America, Inc.

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2012, with comparative totals for 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2012 Total | 2011 Total |
|---|---|---|---|---|---|
| Revenues, gains and other support: | | | | | |
| Contributions (Note O) | $ 18,094,682 | $ 182,676,244 | $ 15,000,010 | $ 215,770,936 | $ 196,883,416 |
| Government grants and contracts | 61,546,661 | - | - | 61,546,661 | 42,874,615 |
| Fee for service | 28,742,484 | - | - | 28,742,484 | 23,198,766 |
| Contributed goods and services (Note M) | 306,635 | - | - | 306,635 | 4,754,355 |
| Interest and dividend income (Note E) | 76,578 | 334,946 | - | 411,524 | 128,762 |
| Net appreciation(depreciation) in fair value of investments (Note E) | 1,306,309 | 9,249,935 | - | 10,556,244 | (1,398,720) |
| Licensing fees and other revenue | 2,065,929 | - | - | 2,065,929 | 3,626,368 |
| Net assets released from restrictions (Note K) | 183,342,642 | (183,342,642) | - | - | - |
| Total revenues, gains and other support | 295,481,920 | 8,918,483 | 15,000,010 | 319,400,413 | 270,067,562 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Teacher recruitment and selection | 44,056,551 | - | - | 44,056,551 | 37,651,869 |
| Pre-service institute | 38,635,757 | - | - | 38,635,757 | 33,112,266 |
| Placement, professional development, and other | 104,037,074 | - | - | 104,037,074 | 91,817,578 |
| Alumni affairs | 20,396,035 | - | - | 20,396,035 | 20,532,707 |
| Total program services | 207,125,417 | - | - | 207,125,417 | 183,114,420 |
| Supporting services: | | | | | |
| Management and general | 19,911,043 | - | - | 19,911,043 | 14,450,804 |
| Fundraising | 25,521,342 | - | - | 25,521,342 | 21,624,070 |
| Total supporting services | 45,432,385 | - | - | 45,432,385 | 36,074,874 |
| Total expenses | 252,557,802 | - | - | 252,557,802 | 219,189,294 |
| Increase in net assets before nonrecurring activities | 42,924,118 | 8,918,483 | 15,000,010 | 66,842,611 | 50,878,268 |
| Transfer of net assets - deconsolidation of Teach for All, Inc. | - | - | - | - | (9,271,742) |
| Transfer of net assets - consolidation of Leadership for Educational Equity | - | - | - | - | 211,968 |
| Expiration of education awards (Note H) | 1,372,371 | - | - | 1,372,371 | - |
| Change in net assets | 44,296,489 | 8,918,483 | 15,000,010 | 68,214,982 | 41,818,494 |
| Net assets, beginning of year | 166,970,127 | 94,801,686 | 89,161,863 | 350,933,676 | 309,115,182 |
| Net assets, end of year | $ 211,266,616 | $ 103,720,169 | $ 104,161,873 | $ 419,148,658 | $ 350,933,676 |

*The accompanying notes are an integral part of this consolidated statement.*

Teach For America, Inc.

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Revenues, gains and other support: | | | | |
| Contributions | $ 10,913,605 | $ 175,969,801 | $ 10,000,010 | $ 196,883,416 |
| Government grants and contracts | 42,874,615 | - | - | 42,874,615 |
| Fee for service | 23,198,766 | - | - | 23,198,766 |
| Contributed goods and services (Note M) | 4,754,355 | - | - | 4,754,355 |
| Interest and dividend income (Note E) | 6,075 | 122,687 | - | 128,762 |
| Net (depreciation) appreciation in fair value of investments (Note E) | (26,059) | (1,372,661) | - | (1,398,720) |
| Licensing fees and other revenue | 3,626,368 | - | - | 3,626,368 |
| Net assets released from restrictions (Note K) | 176,685,741 | (176,685,741) | - | - |
| Total revenues, gains and other support | 262,033,466 | (1,965,914) | 10,000,010 | 270,067,562 |
| Expenses: | | | | |
| Program services: | | | | |
| Teacher recruitment and selection | 37,651,869 | - | - | 37,651,869 |
| Pre-service institute | 33,112,266 | - | - | 33,112,266 |
| Placement, professional development, and other | 91,817,578 | - | - | 91,817,578 |
| Alumni affairs | 20,532,707 | - | - | 20,532,707 |
| Total program services | 183,114,420 | - | - | 183,114,420 |
| Supporting services: | | | | |
| Management and general | 14,450,804 | - | - | 14,450,804 |
| Fundraising | 21,624,070 | - | - | 21,624,070 |
| Total supporting services | 36,074,874 | - | - | 36,074,874 |
| Total expenses | 219,189,294 | - | - | 219,189,294 |
| Increase (decrease) in net assets before nonrecurring activities | 42,844,172 | (1,965,914) | 10,000,010 | 50,878,268 |
| Transfer of net assets - deconsolidation of Teach for All, Inc. | (2,423,056) | (6,848,686) | - | (9,271,742) |
| Transfer of net assets - consolidation of Leadership for Educational Equity | - | 211,968 | - | 211,968 |
| Change in net assets | 40,421,116 | (8,602,632) | 10,000,010 | 41,818,494 |
| Net assets, beginning of year | 126,549,011 | 103,404,318 | 79,161,853 | 309,115,182 |
| Net assets, end of year | $ 166,970,127 | $ 94,801,686 | $ 89,161,863 | $ 350,933,676 |

*The accompanying notes are an integral part of this consolidated statement.*

Teach For America, Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 68,214,982 | $ 41,818,494 |
| Adjustment to reconcile increase in net assets to net cash provided by operating activities: | | |
| Transfer of net assets - deconsolidation of Teach for All, Inc. | - | 9,271,742 |
| Transfer of net assets - consolidation of Leadership for Educational Equity | - | (211,968) |
| Depreciation and amortization | 17,669,966 | 14,696,670 |
| (Appreciation) depreciation in fair value of investments | (10,556,244) | 1,398,720 |
| Change in present value of contribution receivable | (397,851) | (800,535) |
| Bad debt expense | 340,418 | - |
| Contributed investment securities | (24,990,573) | (7,058,241) |
| Permanently restricted contributions | (15,000,010) | (10,000,010) |
| Change in allowance for doubtful accounts | (242,890) | 78,656 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in government grants and contracts receivable | (19,348,183) | 13,048,357 |
| Increase in fee for service receivable | (3,946,711) | (1,753,810) |
| (Increase) decrease in prepaid expense and other assets | (1,174,077) | 210,929 |
| Decrease in contributions receivable | 15,038,307 | 182,046 |
| (Decrease) increase in accounts payable and accrued expenses | 4,108,325 | (914,838) |
| Decrease in education awards to corps members | (1,385,766) | (80,169) |
| Increase (decrease)in deferred rent payable and other liabilities | 3,845,219 | (875,431) |
| Net cash provided by operating activities | 32,174,912 | 59,010,612 |
| Cash flows from investing activities: | | |
| Loans to corps members | (7,482,637) | (6,307,970) |
| Repayments of loans from corps members | 5,588,391 | 4,598,745 |
| Proceeds from the sale of investments | 77,695,576 | 38,635,353 |
| Purchase of investments | (85,455,491) | (58,772,436) |
| Purchase of fixed assets | (21,930,198) | (23,891,773) |
| Net cash used in investing activities | (31,584,359) | (45,738,081) |
| Cash flows from financing activities: | | |
| (Payments) proceeds from line of credit, net | - | (14,000,000) |
| Permanently restricted contributions | 15,000,010 | 10,000,010 |
| Payments on capital lease obligation | (107,421) | - |
| Net cash provided by (used in) financing activities | 14,892,589 | (3,999,990) |
| Net increase in cash and cash equivalents | 15,483,142 | 9,272,541 |
| Cash and cash equivalents, beginning of year | 31,767,895 | 22,495,354 |
| Cash and cash equivalents, end of year | $ 47,251,037 | $ 31,767,895 |
| Supplemental disclosure: | | |
| Cash paid for interest | $ 147,860 | $ 180,619 |

*The accompanying notes are an integral part of these consolidated statements.*

## NOTE A - ORGANIZATION AND NATURE OF OPERATIONS

Teach For America, Inc., ("Teach For America") is a not-for-profit corporation incorporated in the State of Connecticut on October 6, 1989. Leadership for Educational Equity, ("LEE") is a not-for-profit corporation incorporated in the State of New York on October 23, 2006.

Teach For America is dedicated to building a national corps of outstanding recent college graduates of all academic majors who commit two years to teach in under-resourced urban and rural public schools and who become lifelong leaders in pursuit of expanding educational opportunity. Teach For America recruits and selects recent college graduates who meet high standards, trains them in an intensive summer program, places them in urban and rural school districts, and coordinates a support network for them during the two years they commit to teach. Teach For America also works to keep alumni connected to each other and to its mission.

LEE's mission is to enable Teach For America corps members and alumni to realize high impact careers in public leadership by: (1) educating its members about the policy, advocacy and political landscape in their region and in the nation so they are inspired and ready to participate politically and civically; (2) equipping its members with the skills, resources, and experiences to successfully pursue public leadership positions; (3) helping its members become highly effective change agents for educational equity once in positions of leadership; and (4) fostering a thriving LEE community in which members support one another in pursuing public leadership and actively engage around political and civic matters.

At September 30, 2012 and 2011, Teach For America and LEE were separate legal entities that share similar board members and officers. Both are exempt from corporate federal income tax. Teach For America is exempt under Section 501(c)(3) of the Internal Revenue Code and LEE is exempt under Section 501(c)(4) of the Internal Revenue Code and similar state provisions.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Teach For America as of and for the year ended September 30, 2012 and 2011 and LEE as of and for the year ended December 31, 2012 and 2011 (collectively, "TFA") and have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. All significant intercompany transactions have been eliminated in consolidation.

**NOTE B (continued)**

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TFA and changes therein are classified and reported as follows:

*Unrestricted* - Net assets that are not subject to donor-imposed stipulations. These amounts include board-designated resources for use as long-term investment to provide an ongoing stream of investment income for selected activities such as expansion and program services and cash reserves, in the event TFA experiences a cash shortfall. At September 30, 2012 and 2011, the total amount of board-designated net assets authorized to function as endowments were $57,972,187 and $44,250,346, respectively, (Note L).

*Temporarily restricted* - Include net assets subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by the actions of TFA, pursuant to those stipulations (Note K).

*Permanently restricted* - Include net assets subject to donor-imposed stipulations that require resources to be maintained as funds of a permanent duration (Note L). The income derived from permanently restricted net assets is available for general or specific purposes, as stipulated by the respective donors.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

2. *Fair Value Measurements*

TFA follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

## NOTE B (continued)

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments categorized as Level 1 include listed equities held in the entity's name and exclude listed equities and other securities held indirectly through commingled funds.

Level 2: Pricing inputs including broker quotes other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statements of financial position or in the near term, which is considered to be within 90 days.

Level 3: Pricing inputs are unobservable and include situations where there is little, if any, market activity for those assets or liabilities. Fair value measurement for these financial instruments require significant management judgment or estimation. Investments that are categorized as Level 3 generally include privately held investments and partnership interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

*3. Functional Allocation of Expenses*

The costs of providing TFA's programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following is a description of TFA's programs:

*Teacher Recruitment and Selection*
TFA recruits and selects a teaching corps of outstanding college graduates to teach the nation's most underserved students. The recruitment and selection process consists of scheduling and attending on- and off-campus recruiting events, processing applications (approximately 48,000 in 2012 and 2011), and conducting day-long interview sessions in multiple sites across the country. TFA had approximately 5,800 and 5,100 new corps members, who began their fall teaching assignments in 2012 and 2011, respectively.

**NOTE B (continued)**

*Pre-Service Institute*
For incoming corps members, TFA conducts intensive summer training institutes held on various university campuses. In 2012, institutes were held at nine campuses: University of Houston, Temple University, Loyola Marymount University, St. John's University, Georgia Institute of Technology, Arizona State University, Illinois Institute of Technology, Delta State University and University of Tulsa. As part of TFA's ongoing relationship with the: Houston Independent School District; Los Angeles Unified School District; the School District of Philadelphia; Atlanta Public Schools; the New York City Department of Education; Phoenix Public Schools; Chicago Public Schools; Mississippi Delta Public Schools and Tulsa Public Schools, corps members teach students who are enrolled in Houston, Los Angeles, Philadelphia, Atlanta, New York City, Phoenix, Chicago, Mississippi Delta and Tulsa public summer school programs.

*Placement, Professional Development, and Other*
TFA places corps members in various urban and rural regions throughout the United States. In each region, TFA has regional offices, which are responsible for placing corps members in schools, monitoring progress throughout their two-year commitment, providing opportunities for ongoing professional development, and helping corps members to feel part of a national corps. In 2012 and 2011, TFA placed corps members in 46 and 43 regions, respectively.

*Alumni Affairs*
TFA has an alumni base of former corps members all over the world. These individuals present a powerful opportunity to continue to expand educational opportunity.

4. *Cash and Cash Equivalents*

Cash and cash equivalents include cash and short-term investments, with original maturities of three months or less, which are not under investment management for long-term purposes.

5. *Investments*

Investments in equity securities with readily determinable fair values are measured at fair value in the accompanying consolidated statements of financial position and reported based on quoted market prices. Reported fair values for alternative investments are estimated by the respective external investment manager if ascertainable market values are not readily available. Such valuations involve assumptions and methods that are reviewed and accepted by TFA.

**NOTE B (continued)**

Because TFA's alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential subjectivity of investment valuations, the amounts reported in the accompanying consolidated financial statements can vary substantially from settlement amounts resulting from sale or exchange of such investments and, such differences could be material.

6. *Contributions*

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged based upon donor restriction, if any. Contributions to be received after one year are discounted using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Contributions of assets other than cash, including goods and services, are recorded at their estimated fair value at the date of contribution.

7. *Special Events Revenue*

Revenue and expenses related to special events are recognized upon occurrence of the respective event and, are presented net of direct expenses within contributions in the accompanying consolidated statements of activities.

8. *Fee for Service Revenue*

TFA has contractual agreements with various school districts across the United States of America to recruit, select, train, and place corps members to teach within their school districts. TFA recognizes revenue related to these contractual agreements as earned, that is, when the school district places a corps member.

9. *Loans Receivable*

Loans receivable are recorded at their net realizable values and are generally due over a period of 1 to 2 years.

10. *Government Grants and Contracts*

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred or services rendered under such agreements (Note J).

## NOTE B (continued)

### 11. *Allowances for Doubtful Accounts*

Allowances for doubtful accounts are provided based upon management's judgment including such factors as prior collection history and type of receivable. Receivables are written-off when deemed uncollectible. Payments, if any, subsequently received on previously reserved receivables are applied to the allowance for doubtful accounts.

### 12. *Fixed Assets*

Computer equipment and software and furniture, fixtures, and office equipment with a unit cost in excess of $2,500 are recorded at cost and depreciated on a straight-line basis over an estimated useful life ranging from three to five years. Leasehold improvements with a unit cost in excess of $2,500 are recorded at cost and amortized on a straight-line basis over the lesser of the economic useful life of the respective asset or the remaining lease term.

### 13. *Income Taxes*

TFA follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties. Adoption of this standard, had no material impact on the accompanying consolidated financial statements. The tax years ended 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. TFA has processes presently in place to ensure the maintenance of its tax-exempt status; identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and identify and evaluate other matters that may be considered tax positions.

### 14. *Concentration of Credit Risk*

Financial instruments which potentially subject TFA to concentrations of credit risk consist primarily of cash and cash equivalents and investment securities. TFA maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At certain times, TFA's bank balances may exceed federally insured limits. However, TFA has not experienced, nor does it anticipate, any losses with respect to such bank balances. TFA's investment portfolio is diversified with several investment managers in a variety of asset classes. TFA regularly evaluates its depository arrangements and investments, including performance thereof. TFA believes that its credit risks are not significant. In addition, TFA received 18% of its contributions from Board members during the years ended September 30, 2012 and 2011.

## NOTE B (continued)

*15. Use of Estimates*

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant estimates include the determination of allowances for doubtful accounts; fair value measurement of investments that have no ready market; and estimated useful lives of capital assets. Actual results could differ from those estimates.

*16. Reclassification*

Certain 2011 amounts have been reclassified in order to conform to the fiscal 2012 presentation.

## NOTE C - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at September 30, 2012 and 2011, were scheduled to be collected as follows:

| | 2012 | 2011 |
|---|---|---|
| Less than one year | $ 98,244,931 | $ 93,714,657 |
| One to five years | 26,764,206 | 46,332,787 |
| | 125,009,137 | 140,047,444 |
| Less: discount to present value ranging from 0.25% to 1.27% | (144,742) | (542,593) |
| | 124,864,395 | 139,504,851 |
| Less: allowance for doubtful accounts | (1,279,114) | (1,380,990) |
| | $ 123,585,280 | $ 138,123,861 |

TFA has also been notified of certain intentions to give. However, these amounts have not been recorded in the accompanying consolidated financial statements due to their conditional nature (e.g. challenge grants). Such conditional gifts totaled approximately $21,576,000 and $28,985,800 at September 30, 2012 and 2011, respectively.

## NOTE D - LOANS RECEIVABLE FROM CORPS MEMBERS

TFA makes uncollateralized loans to corps members based on financial need. Corps member loans are funded through TFA's loan programs. At September 30, 2012 and 2011, loans represented 2.4% of total assets.

## NOTE D (continued)

At September 30, 2012 and 2011, corps member loans consisted of the following:

| | **2012** | 2011 |
|---|---|---|
| Corps Member Loan Program | **$ 11,090,540** | $ 9,511,108 |
| Corps Member Placement Loans | **37,670** | 63,273 |
| Less: allowance for doubtful accounts | **(545,270)** | (686,284) |
| | **$ 10,582,940** | $ 8,888,097 |

At September 30, 2012 and 2011, the following amounts were past due under the corps member loan program:

| **September 30,** | **One year past due** | **Two years past due** | **Over three years past due** | **Total past due** |
|---|---|---|---|---|
| 2012 | $ 418,741 | $ 145,026 | $ 399,331 | $ 963,098 |
| 2011 | 248,425 | 193,660 | 227,339 | 669,424 |

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be uncollectible.

## NOTE E - INVESTMENTS, AT FAIR VALUE

At September 30, 2012 and 2011, TFA's investments consisted of the following:

| | **2012** | 2011 |
|---|---|---|
| Money market funds | **$ 4,753,402** | $ 44,808,362 |
| Equities | **24,545,034** | 8,363,821 |
| Fixed income | **39,042,902** | - |
| Limited partnerships | **92,459,405** | 64,321,828 |
| | **$ 160,800,743** | $ 117,494,011 |

## NOTE E (continued)

The following table summarizes investments by level, within the fair value hierarchy as of September 30, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 4,753,402 | $ - | $ - | **$ 4,753,402** |
| Equities | 24,545,034 | - | - | **24,545,034** |
| Fixed income | 39,042,902 | - | - | **39,042,902** |
| Limited partnerships | - | - | 92,459,405 | **92,459,405** |
| Total | $ 68,341,338 | $ - | $ 92,459,405 | **$160,800,743** |

The following table summarizes the changes in fair values associated with Level 3 assets as of September 30, 2012:

| | Limited Partnerships |
|---|---|
| Balance as of October 1, 2011 | $ 64,321,828 |
| Purchases | 20,500,000 |
| Unrealized gains | 7,637,577 |
| **Balance as of September 30, 2012** | **$ 92,459,405** |

The following table summarizes investments by level, within the fair value hierarchy as of September 30, 2011:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 44,808,362 | $ - | $ - | $ 44,808,362 |
| Equities | 8,363,821 | - | - | 8,363,821 |
| Limited partnerships | - | - | 64,321,828 | 64,321,828 |
| Total | $ 53,172,183 | $ - | $ 64,321,828 | $117,494,011 |

The following table summarizes the changes in fair values associated with Level 3 assets as of September 30, 2011:

| | Limited Partnerships |
|---|---|
| Balance as of October 1, 2010 | $ 28,772,436 |
| Purchases | 35,720,000 |
| Unrealized losses | (170,608) |
| Balance as of September 30, 2011 | $ 64,321,828 |

## NOTE E (continued)

At September 30, 2012 and 2011, TFA's investment returns consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Interest and dividend income | $ 411,524 | $ 128,762 |
| (Loss) gain in fair value of investments | 11,304,290 | (957,988) |
| Investment fees | (748,046) | (440,732) |
| Net (depreciation) appreciation in fair value of investments | 10,556,244 | (1,398,720) |
| Total investment return | $10,967,768 | $ (1,269,958) |

TFA uses the Net Asset Value (NAV) per share to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investments company or have the attributes of an investments company. Per the accounting standard governing NAV as a practical expedient, the following table lists investments in other companies by major NAV category as of September 30, 2012 and 2011:

**2012**

| Type | Strategy | NAV in Funds | # of Funds | Remaining Life | $ Amount of Unfunded Commitments | Timing to Drawdown Commitments | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|---|---|---|---|
| **Limited partnerships** | Invests in hedge funds, private equity and pooled accounts seeking long-term diversified growth | $92,459,405 | 2 | N/A | No such commitments | N/A | Quarterly and Annually | Lock up periods of up to 2 years |

2011

| Type | Strategy | NAV in Funds | # of Funds | Remaining Life | $ Amount of Unfunded Commitments | Timing to Drawdown Commitments | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|---|---|---|---|
| **Limited partnerships** | Invests in hedge funds, private equity and pooled accounts seeking long-term diversified growth | $64,321,828 | 2 | N/A | No such commitments | N/A | Quarterly and Annually | Lock up periods of up to 2 years |

## NOTE F - FIXED ASSETS, NET

Fixed assets at September 30, 2012 and 2011, consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Computer equipment and software | $ 76,695,355 | $ 57,849,344 |
| Furniture, fixtures and office equipment | 7,178,671 | 5,226,135 |
| Leasehold improvements | 16,070,606 | 14,665,158 |
| | 99,944,632 | 77,740,637 |
| Less: accumulated depreciation and amortization | (56,403,966) | (38,734,000) |
| | 43,540,666 | 39,006,637 |
| Construction-in-progress | 143,409 | 309,785 |
| | $ 43,684,075 | $ 39,316,422 |

Depreciation and amortization expense was $17,669,966 and $14,696,670 for the years ended September 30, 2012 and 2011, respectively.

During fiscal year 2012, Teach For America entered into capital leases for office fixtures and equipment. The leases extend through fiscal year 2015 and have total remaining cash payments due, inclusive of interest, of $1,223,502. The net book value of such leased fixtures and equipment was $837,836 at September 30, 2012, and was included in the table above. Additionally, the amount due under these capital leases of $679,964 was included in accounts payable and accrued liabilities in the accompanying 2012 consolidated statement of financial position.

## NOTE G - RELATED PARTY TRANSACTIONS

During 2008, Teach For America entered into a Resource Sharing and Expense Reimbursement Agreement with LEE, a related party created for Teach for America corps members and alumni who are interested in the role of public policy in attaining educational equity. The agreement states that LEE shall pay Teach For America for all direct expenses incurred by Teach For America on LEE's behalf and that LEE shall pay a pro-rata share of Teach For America's overhead expenses. In addition, LEE agrees to operate and conduct its use of the resources described in the agreement in a manner so as not to interfere with the accomplishment of Teach For America's tax-exempt purposes and not to jeopardize Teach For America's compliance with federal and state laws. During the year ended September 30, 2011, LEE qualified as an entity that is required to be consolidated under, "Not-for-Profit Entities" guidance. As of September 30, 2012 and 2011, amounts owed to Teach For America from this related party totaled approximately $664,292 and $30,467, respectively, and which were eliminated in consolidation.

## NOTE G (continued)

Teach For America also has a Resource Sharing and Expense Reimbursement Agreement with Teach For All, a related party, not controlled by Teach For America, created to expand educational opportunity in other countries. This agreement also states that Teach For All shall pay Teach For America for all direct expenses incurred by Teach For America on Teach For All's behalf and that Teach For All shall pay a pro-rata share of Teach For America's overhead expenses. As of September 30, 2012 and 2011, amounts owed to Teach For America from this related party totaled approximately $23,152 and $80,500, respectively.

## NOTE H - EDUCATION AWARDS DUE TO CORPS MEMBERS

In 2004, TFA established the Teach For America Education Awards (the "awards") for eligible corps members who successfully completed the 2004-2005 school year. The awards were intended to mirror the awards previously provided by the Corporation for National Service. Approximately 1,800 corps members were granted awards in varying amounts up to $4,725 that could be applied to pay student loans or educational expenses. The awards were payable until July 2012, at which time these awards expired. Accordingly, approximately $1,372,000 was recognized as a nonrecurring addition to net assets in the accompanying 2012 consolidated statement of activities.

## NOTE I - LINE OF CREDIT

On July 2, 2012, TFA's line of credit agreement with Wells Fargo Bank, originally dated August 10, 2009, expired (Note P). This credit facility bore interest at the LIBOR market index plus 1.50% per annum for 2012 and 2011 and required adherence to the following financial covenants:

- Maintain at all times liquid assets and current contributions receivables having an aggregate value of not less than $33 million;
- Maintain a ratio of total liabilities to unrestricted net assets not to exceed one to one; and
- Pay down the outstanding balance in its entirety for 30 consecutive days annually.

At September 30, 2011, Teach For America had not drawn down its line of credit and, was in compliance with the above covenants. Additionally, there were no drawdowns in fiscal 2012. TFA renewed this line of credit in November 2012 (Note P).

## NOTE J – COMMITMENTS AND CONTINGENCIES

*Operating Leases*

TFA has entered into a noncancelable lease agreement for office space for its national headquarters, expiring in January 2019. Additionally, TFA has 45 lease agreements for office space for its regional offices, expiring at various times. TFA also has various lease agreements for office equipment at its regional offices and New York office, expiring on various dates.

Future minimum lease payments under all noncancelable operating leases, follow:

| Year ending September 30: | Office Space | Equipment |
|---|---|---|
| 2013 | $ 5,516,003 | $ 316,318 |
| 2014 | 7,371,285 | 358,869 |
| 2015 | 4,717,156 | 278,341 |
| 2016 | 3,194,430 | 169,862 |
| 2017 and thereafter | 3,739,429 | 100,112 |
| Total | $ 24,538,303 | $1,223,502 |

Total rent expense approximated $8,300,000 and $7,000,000 for the years ended September 30, 2012 and 2011, respectively.

*Deferred Rent Payable*

Certain operating leases contain escalation clauses for base rentals. Accordingly, TFA has recorded the straight-line effects of such escalations and recognized a deferred rent liability within deferred rent payable and other liabilities in the consolidated statements of financial position of approximately $1.3 million and $1.7 million at September 30, 2012 and 2011, respectively.

*Contingencies*

In the normal course of its operations, TFA is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of TFA is not aware of any claims or contingencies that would have a material adverse effect on TFA's consolidated financial position, changes in net assets or cash flows.

TFA receives and expends resources in connection with its administration of federal and other governmental grants and contracts. The terms of these agreements generally allow granting agencies the right to audit costs incurred thereunder and, potentially disallow a portion thereof and/or adjust funding on a prospective basis. During fiscal 2012, approximately $924,000 was established as a potential reserve for disallowances, which was included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the accompanying consolidated financial statements.

## NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes at September 30, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| For use in future periods for: | | |
| Expansion | $ 7,727,520 | $ 17,255,040 |
| Teacher recruitment and selection, placement, professional development, and other | 95,992,649 | 77,546,646 |
| | $ 103,720,169 | $ 94,801,686 |

Net assets released from restrictions by incurring expenses satisfying purpose or time restrictions during the years ended September 30, 2012 and 2011, follow:

| | 2012 | 2011 |
|---|---|---|
| Expansion | $ 12,509,122 | $ 18,379,915 |
| Teacher recruitment and selection, placement, professional development, education awards and other | 170,833,520 | 158,305,826 |
| | $ 183,342,642 | $ 176,685,741 |

## NOTE L - ENDOWMENT NET ASSETS

Teach For America's endowment consists of several individual funds established for different purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

Effective October 1, 2007, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Connecticut applies to all donor-restricted endowment funds of Teach For America unless the donor has specifically directed otherwise. Under UPMIFA, an "endowment fund" is defined as a fund that, under the terms of the gift instrument, is not fully expendable on a current basis. The Board of Directors of Teach For America has interpreted UPMIFA as requiring the preservation of so much of such a donor-restricted endowment fund as is directed by the donor in the gift instrument. Where the donor's intent is not clearly articulated in the gift instrument, the Board of Directors of Teach for America interprets UPMIFA as allowing the expenditure of only that amount which is prudent for the uses, benefits, purposes and duration for which the endowment was established, taking into account the following factors:

## NOTE L (continued)

1. The duration and original donor restricted preservation of the endowment fund.
2. The purposes of Teach For America and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income on the appreciation of investments.
6. Other resources of Teach For America.
7. The investment policies of Teach For America.

Teach For America classifies as permanently restricted net assets the amount of the assets in a donor-restricted "endowment fund" that may not be expended according to the factors described above. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by Teach For America in a manner consistent with the standard of prudence prescribed by UPMIFA.

Prior to October 1, 2007, the date that UPMIFA became effective in Connecticut, the Board of Directors of Teach For America interpreted the predecessor statute as requiring the preservation of the "historic dollar value" of the original gift as of the date of gift for donor-restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of such interpretation, Teach For America previously classified as permanently restricted net assets the original corpus of donor-restricted endowment funds, subsequent gifts to donor-restricted endowment funds and the value of accumulations, if any, to such funds made in accordance with the direction of the applicable gift instrument at the time the relevant accumulation was added to the fund.

*Spending Policy*

For the year ended September 30, 2012 and 2011, the Board of Directors of Teach For America determined that there would be no distributions from its endowments.

In subsequent years, and upon authorization from the Board of Directors, spending will be determined based upon the sum of:

- 70% of prior year endowment spending, adjusted upward (or downward) by the inflation (deflation) rate as measured by the change in the consumer price index for the 36 months ending on the date six months prior to the start of the fiscal year (i.e., for fiscal 2013, which begins on October 1st this would be the 36 months ending April 1st).

- 30% of the long-term spending rate of 5%, multiplied by the average market value of the endowment over the 36 months ending on the date six months prior to the start of the fiscal year (calculated by averaging the market value of the endowment on the dates 6 months, 9 months, 12 months, and 15 months before the start of the fiscal year).

## NOTE L (continued)

In establishing this policy, Teach For America considered the long-term expected return on its endowment. Accordingly, over the long term, Teach For America expects the current spending policy to allow its endowment to grow at a pace at least equal with inflation. This is consistent with Teach For America's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term to support future operations.

*Return Objectives and Risk Parameters*

TFA has adopted investment and spending policies for endowment assets that attempt to provide a predictable and stable stream of funding to programs and support services supported by its endowment while seeking to maintain the purchasing power of the endowment assets to support future operations. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, Teach For America relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Teach For America targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Teach For America received $15,000,000 in endowment cash and pledges in fiscal 2012 that have not been invested as of September 30, 2012. Endowment net asset composition, excluding pledges receivable, as of September 30, 2012, follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | **Total** |
|---|---|---|---|---|
| Board-designated endowment funds | $ 57,972,187 | $ - | $ - | **$ 57,972,187** |
| Donor-restricted endowment funds | - | 13,666,683 | 89,161,873 | **102,828,556** |
| Total | $ 57,972,187 | $ 13,666,683 | $ 89,161,873 | **$160,800,743** |

## NOTE L (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2012:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 44,250,346 | $ 4,081,802 | $ 69,161,863 | $ 117,494,011 |
| Investment return: | | | | |
| Investment income | 76,578 | 334,946 | - | 411,524 |
| Net appreciation (realized and unrealized) | 1,306,309 | 9,249,935 | - | 10,556,244 |
| Total investment return | 1,382,888 | 9,584,881 | - | 10,967,768 |
| Contributions, including collections of prior year pledges | - | - | 20,000,010 | 20,000,010 |
| Board-designated additions | 12,338,954 | - | - | 12,338,954 |
| Endowment net assets, end of year | $ 57,972,187 | $ 13,666,683 | $ 89,161,873 | $ 160,800,743 |

For the year ended September 30, 2012, the permanently restricted contributions of $20,000,010 presented above included $10,000,010 of pledge payments for a $5,000,010 pledge made in fiscal 2010 and a $5,000,000 fiscal 2011 matching gift.

Endowment net asset composition, excluding pledges receivable, as of September 30, 2011, follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Board-designated endowment funds | $ 44,250,346 | $ - | $ - | $ 44,250,346 |
| Donor-restricted endowment funds | - | 4,081,802 | 69,161,863 | 73,243,665 |
| Total | $ 44,250,346 | $ 4,081,802 | $ 69,161,863 | $117,494,011 |

## NOTE L (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2011:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 37,203,779 | $ 5,331,775 | $ 49,161,853 | $ 91,697,407 |
| Investment return: | | | | |
| Investment income | 6,075 | 122,687 | - | 128,762 |
| Net appreciation (realized and unrealized) | (26,059) | (1,372,661) | - | (1,398,720) |
| Total investment return | (19,984) | (1,249,974) | - | (1,269,958) |
| Contributions, including collection of prior year pledges | - | - | 20,000,010 | 20,000,010 |
| Board-designated additions | 7,066,552 | - | - | 7,066,552 |
| Endowment net assets, end of year | $ 44,250,346 | $ 4,081,802 | $ 69,161,863 | $ 117,494,011 |

For the year ended September 30, 2011, the permanently restricted contributions of $20,000,010 presented above included $10,000,010 of pledge payments for a $5,000,010 pledge made in fiscal 2010 and a $5,000,000 fiscal 2011 matching gift.

Permanently restricted net assets of $89,161,873 and $69,161,863 at September 30, 2012 and 2011, respectively, provided investment returns to support general operating purposes, as per donor intent, none of which were appropriated by the Board of Directors for expenditure.

## NOTE M - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services for the years ended September 30, 2012 and 2011, consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Computers and equipment | $ 1,959 | $ 4,383,045 |
| Professional fees | - | 9,404 |
| Legal | 232,836 | 242,082 |
| Facilities | 21,325 | 11,118 |
| Supplies | 35,373 | 72,529 |
| Event services | 9,902 | 36,095 |
| Other | 5,240 | 82 |
| | $ 306,635 | $ 4,754,355 |

## NOTE N - RETIREMENT PLAN

TFA offers full and part-time staff members who work at least 20 hours a week the opportunity to participate in a 403(b) retirement program. This is a defined contribution plan with employer matching contributions equal to 100% of the employee's contributions up to 5% of their gross earned salary in each fiscal year. Participants are fully vested after six months of employment, increasing to 12 months, effective October 1, 2008. Withdrawal cannot be made without penalty until the age of 59½. TFA matching contributions totaled approximately \$3,600,000 and \$3,101,000 for the years ended September 30, 2012 and 2011, respectively.

During fiscal 2012, Teach For America established an Executive 457(b) Retirement Plan, which is a non-qualified 457(b) Retirement Plan for select key managerial and highly compensated employees. Only discretionary employer contributions are allowed under the plan. For the fiscal year ended September 30, 2012, employer contributions to this Plan were approximately \$8,400.

## NOTE O – SPECIAL EVENT REVENUE

TFA conducts various special fundraising events throughout the year, the net results of which were included within unrestricted contributions in the accompanying consolidated statements of activities. TFA recognizes special event revenue only to the extent of the fair market value of the direct benefit to donors and the remaining funds are recognized as contributions. As of September 30, 2012 and 2011, a summary of the special events activities follows:

| | **2012** | 2011 |
|---|---|---|
| Fair value of direct donor benefit | **\$ 601,798** | \$ 963,826 |
| Other direct expenses | **(1,270,740)** | (1,066,084) |
| Special events, net | **\$ (668,942)** | \$ (102,258) |

## NOTE P - SUBSEQUENT EVENTS

TFA evaluated its September 30, 2012 consolidated financial statements for subsequent events through February 27, 2013, the date the consolidated financial statements were available to be issued. Other than the disclosure below, TFA is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

On November 19, 2012, TFA amended its line of credit agreement with Wells Fargo Bank originally dated August 10, 2009, which expired on July 2, 2012. This credit facility bears interest at the LIBOR market index rate plus 0.70% per annum for 2012 and requires adherence to the following financial covenants:

- Maintain at all times unrestricted specified assets having an aggregate specified value of not less than $50,000,000; and
- Maintain at all times an expendable financial resources to total operating expenses ratio of at least 80%
- Pay down the outstanding balances of all advances to a maximum of $0.00 for a period of 30 consecutive days during the clean-up year

SUPPLEMENTARY INFORMATION

Teach For America, Inc.

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

As of September 30, 2012

| ASSETS | Teach For America, Inc. | Leadership for Educational Equity | Eliminations | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 46,363,860 | $ 887,177 | $ - | $ **47,251,037** |
| Government grants and contracts receivable | 36,463,431 | - | - | **36,463,431** |
| Fee for service receivable | 19,542,359 | - | - | **19,542,359** |
| Prepaid expenses and other assets | 6,555,239 | 15,308 | (664,292) | **5,906,255** |
| Contributions receivable, net | 123,457,583 | 127,697 | - | **123,585,280** |
| Loans receivable from corps members, net | 10,582,940 | - | - | **10,582,940** |
| Investments, at fair value | 160,800,743 | - | - | **160,800,743** |
| Fixed assets | 43,665,745 | 18,330 | - | **43,684,075** |
| Total assets | $ 447,431,900 | $ 1,048,512 | $ (664,292) | $ **447,816,120** |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 22,541,366 | $ 287,243 | $ - | $ **22,828,609** |
| Education awards to corps members | - | - | - | **-** |
| Deferred rent and other liabilities | 5,792,220 | 710,925 | (664,292) | **5,838,853** |
| Total liabilities | 28,333,586 | 998,168 | (664,292) | **28,667,462** |
| Net assets: | | | | |
| Unrestricted | 208,656,889 | - | 2,609,727 | **211,266,616** |
| Temporarily restricted | 106,279,552 | 50,344 | (2,609,727) | **103,720,169** |
| Permanently restricted | 104,161,873 | - | - | **104,161,873** |
| Total net assets | 419,098,314 | 50,344 | - | **419,148,658** |
| Total liabilities and net assets | $ 447,431,900 | $ 1,048,512 | $ (664,292) | $ **447,816,120** |

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.*

Teach For America, Inc.

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

As of September 30, 2011

| ASSETS | Teach For America, Inc. | Leadership for Educational Equity | Eliminations | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 31,536,694 | $ 231,201 | $ - | $ 31,767,895 |
| Government grants and contracts receivable | 17,115,248 | - | - | 17,115,248 |
| Fee for service receivable | 15,595,648 | - | - | 15,595,648 |
| Prepaid expenses and other assets | 4,747,337 | 15,308 | (30,467) | 4,732,178 |
| Contributions receivable, net | 137,942,795 | 181,066 | - | 138,123,861 |
| Loans receivable from corps members, net | 8,888,097 | - | - | 8,888,097 |
| Investments, at fair value | 117,494,011 | - | - | 117,494,011 |
| Fixed assets | 39,283,422 | 33,000 | - | 39,316,422 |
| Total assets | $ 372,603,252 | $ 460,575 | $ (30,467) | $ 373,033,360 |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 18,556,294 | $ 163,990 | $ - | $ 18,720,284 |
| Education awards to corps members | 1,385,766 | - | - | 1,385,766 |
| Deferred rent and other liabilities | 1,974,084 | 50,017 | (30,467) | 1,993,634 |
| Total liabilities | 21,916,144 | 214,007 | (30,467) | 22,099,684 |
| Net assets: | | | | |
| Unrestricted | 166,396,200 | - | 573,927 | 166,970,127 |
| Temporarily restricted | 95,129,045 | 246,568 | (573,927) | 94,801,686 |
| Permanently restricted | 89,161,863 | - | - | 89,161,863 |
| Total net assets | 350,687,108 | 246,568 | - | 350,933,676 |
| Total liabilities and net assets | $ 372,603,252 | $ 460,575 | $ (30,467) | $ 373,033,360 |

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.*

Teach For America, Inc.

## CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended September 30, 2012

| | Teach For America, Inc. | | | | Leadership for Educational Equity | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Revenues, gains and other support:** | | | | | | | | |
| Contributions | $ 18,094,682 | $ 180,861,988 | $ 15,000,010 | $ 213,956,680 | $ - | $ 3,850,056 | $ - | $ 3,850,056 |
| Government grants and contracts | 61,546,661 | - | - | 61,546,661 | - | - | - | - |
| Fee for service | 28,742,484 | - | - | 28,742,484 | - | - | - | - |
| Contributed goods and services | 306,635 | - | - | 306,635 | - | - | - | - |
| Interest and dividend income, net | 76,578 | 334,946 | - | 411,524 | - | - | - | - |
| Net appreciation in fair value of investments | 1,306,309 | 9,249,935 | - | 10,556,244 | - | - | - | - |
| Licensing fees and other revenue | 2,065,929 | | - | 2,065,929 | - | - | - | - |
| Net assets released from restriction | 179,296,362 | (179,296,362) | - | - | 4,046,280 | (4,046,280) | - | - |
| Total revenue, gains and other support | 291,435,640 | 11,150,507 | 15,000,010 | 317,586,157 | 4,046,280 | (196,224) | - | 3,850,056 |
| **Expenses** | | | | | | | | |
| Program services: | | | | | | | | |
| Teacher recruitment and selection | 44,056,551 | - | - | 44,056,551 | - | - | - | - |
| Pre-service institute | 38,635,757 | - | - | 38,635,757 | - | - | - | - |
| Placement, professional development, and other | 104,037,074 | - | - | 104,037,074 | - | - | - | - |
| Alumni affairs | 20,066,700 | - | - | 20,066,700 | 2,365,135 | - | - | 2,365,135 |
| Total program services | 206,796,082 | - | - | 206,796,082 | 2,365,135 | - | - | 2,365,135 |
| Supporting services | | | | | | | | |
| Management and general | 18,379,495 | - | - | 18,379,495 | 1,531,548 | - | - | 1,531,548 |
| Fundraising | 25,371,745 | - | - | 25,371,745 | 149,597 | - | - | 149,597 |
| Total supporting services | 43,751,240 | - | - | 43,751,240 | 1,681,145 | - | - | 1,681,145 |
| Total expenses | 250,547,322 | - | - | 250,547,322 | 4,046,280 | - | - | 4,046,280 |
| Expiration of education awards | 1,372,371 | - | - | 1,372,371 | - | - | - | - |
| Change in net assets | 42,260,689 | 11,150,507 | 15,000,010 | 68,411,206 | - | (196,224) | - | (196,224) |
| Net assets, beginning of year | 166,396,200 | 95,129,045 | 89,161,863 | 350,687,108 | - | 246,568 | - | 246,568 |
| Net assets, end of year | $ 208,656,889 | $ 106,279,552 | $ 104,161,873 | $ 419,098,314 | $ - | $ 50,344 | $ - | $ 50,344 |

| | Eliminations | | Consolidated | | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Revenues, gains and other support:** | | | | | | |
| Contributions | $ - | $ (2,035,800) | $ 18,094,682 | 182,676,244 | $ 15,000,010 | $ 215,770,936 |
| Government grants and contracts | - | - | 61,546,661 | - | - | 61,546,661 |
| Fee for service | - | - | 28,742,484 | - | - | 28,742,484 |
| Contributed goods and services | - | - | 306,635 | - | - | 306,635 |
| Interest and dividend income, net | - | - | 76,578 | 334,946 | - | 411,524 |
| Net appreciation in fair value of investments | - | - | 1,306,309 | 9,249,935 | - | 10,556,244 |
| Licensing fees and other revenue | - | - | 2,065,929 | - | - | 2,065,929 |
| Net assets released from restriction | - | - | 183,342,642 | (183,342,642) | - | - |
| Total revenue, gains and other support | - | (2,035,800) | 295,481,920 | 8,918,483 | 15,000,010 | 319,400,413 |
| **Expenses** | | | | | | |
| Program services: | | | | | | |
| Teacher recruitment and selection | - | - | 44,056,551 | - | - | 44,056,551 |
| Pre-service institute | - | - | 38,635,757 | - | - | 38,635,757 |
| Placement, professional development, and other | - | - | 104,037,074 | - | - | 104,037,074 |
| Alumni affairs | (2,035,800) | - | 20,396,035 | - | - | 20,396,035 |
| Total program services | (2,035,800) | - | 207,125,417 | - | - | 207,125,417 |
| Supporting services | | | | | | |
| Management and general | - | - | 19,911,043 | - | - | 19,911,043 |
| Fundraising | - | - | 25,521,342 | - | - | 25,521,342 |
| Total supporting services | - | - | 45,432,385 | - | - | 45,432,385 |
| Total expenses | (2,035,800) | - | 252,557,802 | - | - | 252,557,802 |
| Expiration of education awards | - | - | 1,372,371 | - | - | 1,372,371 |
| Change in net assets | 2,035,800 | (2,035,800) | 44,296,489 | 8,918,483 | 15,000,010 | 68,214,982 |
| Net assets, beginning of year | 573,927 | (573,927) | 166,970,127 | 94,801,686 | 89,161,863 | 350,933,676 |
| Net assets, end of year | $ 2,609,727 | $ (2,609,727) | $ 211,266,616 | $ 103,720,169 | $ 104,161,873 | $ 419,148,658 |

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto*

Teach For America, Inc.

## CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended September 30, 2011

| | Teach For America, Inc. | | | | Leadership for Educational Equity | | | | Eliminations | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Revenues, gains and other support** | | | | | | | | | | | | | | |
| Contributions | $ 10,913,605 | $ 175,265,006 | $ 10,000,010 | $ 196,178,621 | $ - | $ 1,278,722 | $ - | $ 1,278,722 | $ - | $ (573,927) | $ 10,913,605 | $ 175,969,801 | $ 10,000,010 | $ 196,883,416 |
| Government grants and contracts | 42,874,615 | - | - | 42,874,615 | - | - | - | - | - | - | 42,874,615 | - | - | 42,874,615 |
| Fee for service | 23,198,766 | - | - | 23,198,766 | - | - | - | - | - | - | 23,198,766 | - | - | 23,198,766 |
| Contributed goods and services | 4,754,355 | - | - | 4,754,355 | - | - | - | - | - | - | 4,754,355 | - | - | 4,754,355 |
| Interest and dividend income, net | 6,075 | 122,687 | - | 128,762 | - | - | - | - | - | - | 6,075 | 122,687 | - | 128,762 |
| Net depreciation in fair value of investments | (26,059) | (1,372,661) | - | (1,398,720) | - | - | - | - | - | - | (26,059) | (1,372,661) | - | (1,398,720) |
| Licensing fees and other revenue | 3,626,368 | - | - | 3,626,368 | - | - | - | - | - | - | 3,626,368 | - | - | 3,626,368 |
| Net assets released from restriction | 175,441,619 | (175,441,619) | - | - | 1,244,122 | (1,244,122) | - | - | - | - | 176,685,741 | (176,685,741) | - | - |
| Total revenue, gains and other support | 260,789,344 | (1,426,587) | 10,000,010 | 269,362,767 | 1,244,122 | 34,600 | - | 1,278,722 | - | (573,927) | 262,033,466 | (1,965,914) | 10,000,010 | 270,067,562 |
| **Expenses** | | | | | | | | | | | | | | |
| Program services | | | | | | | | | | | | | | |
| Teacher recruitment and selection | 37,651,869 | - | - | 37,651,869 | - | - | - | - | - | - | 37,651,869 | - | - | 37,651,869 |
| Pre-service institute | 33,112,266 | - | - | 33,112,266 | - | - | - | - | - | - | 33,112,266 | - | - | 33,112,266 |
| Placement, professional development, and other | 91,817,578 | - | - | 91,817,578 | - | - | - | - | - | - | 91,817,578 | - | - | 91,817,578 |
| Alumni affairs | 20,211,346 | - | - | 20,211,346 | 895,288 | - | - | 895,288 | (573,927) | - | 20,532,707 | - | - | 20,532,707 |
| Total program services | 182,793,059 | - | - | 182,793,059 | 895,288 | - | - | 895,288 | (573,927) | - | 183,114,420 | - | - | 183,114,420 |
| Supporting services: | | | | | | | | | | | | | | |
| Management and general | 14,140,234 | - | - | 14,140,234 | 310,570 | - | - | 310,570 | - | - | 14,450,804 | - | - | 14,450,804 |
| Fundraising | 21,585,806 | - | - | 21,585,806 | 38,264 | - | - | 38,264 | - | - | 21,624,070 | - | - | 21,624,070 |
| Total supporting services | 35,726,040 | - | - | 35,726,040 | 348,834 | - | - | 348,834 | - | - | 36,074,874 | - | - | 36,074,874 |
| Total expenses | 218,519,099 | - | - | 218,519,099 | 1,244,122 | - | - | 1,244,122 | (573,927) | - | 219,189,294 | - | - | 219,189,294 |
| Change in net assets | 42,270,245 | (1,426,587) | 10,000,010 | 50,843,668 | - | 34,600 | - | 34,600 | 573,927 | (573,927) | 42,844,172 | (1,965,914) | 10,000,010 | 50,878,268 |
| Net assets, beginning of year | 124,125,955 | 96,555,632 | 79,161,853 | 299,843,440 | - | 211,968 | - | 211,968 | - | - | 124,125,955 | 96,767,600 | 79,161,853 | 300,055,408 |
| Net assets, end of year | $ 166,396,200 | $ 95,129,045 | $ 89,161,863 | $ 350,687,108 | $ - | $ 246,568 | $ - | $ 246,568 | $ 573,927 | $ (573,927) | $ 166,970,127 | $ 94,801,686 | $ 89,161,863 | $ 350,933,676 |

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.*

Teach For America, Inc.

## CONSOLIDATED SCHEDULE OF UNRESTRICTED FUNCTIONAL EXPENSES

For the year ended September 30, 2012, with comparative totals for 2011

| | Program services | | | | | Supporting services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Teacher recruitment and selection** | **Pre-service institute** | **Placement, professional development, and other** | **Alumni affairs** | **Total program services** | **Management and general** | **Fundraising** | **Total supporting services** | **2012 Total** | **2011 Total** |
| Expenses: | | | | | | | | | | |
| Personnel expenses | $ 26,754,621 | $ 16,542,028 | $ 70,840,103 | $ 12,979,596 | $ 127,116,348 | $ 12,042,206 | $ 16,470,792 | $ 28,512,998 | **$ 155,629,346** | $ 130,466,142 |
| Professional services | 1,482,784 | 489,489 | 3,148,784 | 966,314 | 6,087,371 | 2,280,898 | 2,823,986 | 5,104,884 | **11,192,255** | 8,547,115 |
| Travel, meetings and subsistence | 3,093,492 | 6,363,083 | 8,504,740 | 1,426,911 | 19,388,226 | 1,127,553 | 1,459,013 | 2,586,566 | **21,974,792** | 21,239,839 |
| Institute food and lodging | 425 | 9,838,341 | 8,703 | 775 | 9,848,244 | 1,014 | 276 | 1,290 | **9,849,534** | 8,657,528 |
| Corps member support | 5,580,946 | 44,500 | 1,210,587 | 420,466 | 7,256,499 | 485 | 174,976 | 175,461 | **7,431,960** | 10,257,314 |
| Postage and delivery | 49,223 | 45,147 | 312,812 | 84,590 | 491,772 | 20,290 | 75,921 | 96,211 | **587,983** | 524,799 |
| Telecommunications | 461,280 | 315,329 | 1,957,814 | 197,657 | 2,932,080 | 272,289 | 195,806 | 468,095 | **3,400,175** | 3,016,254 |
| Equipment and supplies | 1,135,691 | 1,719,896 | 3,553,963 | 675,650 | 7,085,200 | 515,487 | 709,497 | 1,224,984 | **8,310,184** | 7,125,125 |
| Special events - other | 2,965 | 10,020 | 56,987 | 6,072 | 76,044 | 31,945 | 59,157 | 91,102 | **167,146** | 147,609 |
| Subscriptions and dues | 19,822 | 36,038 | 312,270 | 55,730 | 423,860 | 83,052 | 67,562 | 150,614 | **574,474** | 377,652 |
| Grants | - | - | - | - | - | - | - | - | **-** | 85,000 |
| Printing, advertising and media | 339,849 | 168,452 | 457,583 | 285,490 | 1,251,374 | 119,796 | 340,629 | 460,425 | **1,711,799** | 1,959,899 |
| Occupancy | 1,433,462 | 1,209,603 | 7,311,818 | 492,189 | 10,447,072 | 405,014 | 657,753 | 1,062,767 | **11,509,839** | 10,176,882 |
| Miscellaneous | 39,568 | 453,391 | 116,573 | 23,898 | 633,430 | 18,616 | 50,555 | 69,171 | **702,601** | 433,454 |
| Interest, insurance, fees and other | 91,772 | 40,192 | 293,252 | 60,014 | 485,230 | 965,471 | 395,047 | 1,360,518 | **1,845,748** | 1,478,012 |
| Depreciation and amortization | 3,570,651 | 1,360,248 | 5,951,085 | 2,720,683 | 13,602,667 | 2,026,927 | 2,040,372 | 4,067,299 | **17,669,966** | 14,696,670 |
| Total | $ 44,056,551 | $ 38,635,757 | $ 104,037,074 | $ 20,396,035 | $ 207,125,417 | $ 19,911,043 | $ 25,521,342 | $ 45,432,385 | **$ 252,557,802** | $ 219,189,294 |

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.*

Teach For America, Inc.

## SCHEDULE OF UNRESTRICTED FUNCTIONAL EXPENSES

For the year ended September 30, 2012, with comparative totals for 2011

| | Program services | | | | | Supporting services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Teacher recruitment and selection | Pre-service institute | Placement, professional development, and other | Alumni affairs | Total program services | Management and general | Fundraising | Total supporting services | 2012 Total | 2011 Total |
| Expenses: | | | | | | | | | | |
| Personnel expenses | $ 26,754,621 | $ 16,542,028 | $ 70,840,103 | $11,270,633 | $125,407,385 | $11,345,479 | $16,324,209 | $27,669,688 | $153,077,073 | $129,780,164 |
| Professional services | 1,482,784 | 489,489 | 3,148,784 | 712,307 | 5,833,364 | 1,876,896 | 2,822,389 | 4,699,285 | 10,532,649 | 8,191,882 |
| Travel, meetings and subsistence | 3,093,492 | 6,363,083 | 8,504,740 | 1,116,696 | 19,078,011 | 1,008,845 | 1,459,013 | 2,467,858 | 21,545,869 | 21,097,810 |
| Institute food and lodging | 425 | 9,838,341 | 8,703 | 775 | 9,848,244 | 1,014 | 276 | 1,290 | 9,849,534 | 8,657,528 |
| Corps member support | 5,580,946 | 44,500 | 1,210,587 | 420,466 | 7,256,499 | 485 | 174,976 | 175,461 | 7,431,960 | 10,257,313 |
| Postage and deliver | 49,223 | 45,147 | 312,812 | 66,499 | 473,681 | 16,551 | 75,921 | 92,472 | 566,153 | 523,038 |
| Telecommunications | 461,280 | 315,329 | 1,957,814 | 188,590 | 2,923,013 | 249,925 | 195,806 | 445,731 | 3,368,744 | 3,008,641 |
| Equipment and supplies | 1,135,691 | 1,719,896 | 3,553,963 | 640,323 | 7,049,873 | 286,776 | 708,080 | 994,856 | 8,044,729 | 7,119,762 |
| Special events | 2,965 | 10,020 | 56,987 | 6,072 | 76,044 | 31,945 | 59,157 | 91,101 | 167,145 | 147,609 |
| Subscriptions and dues | 19,822 | 36,038 | 312,270 | 35,267 | 403,397 | 79,341 | 67,562 | 146,904 | 550,301 | 363,688 |
| Grants | - | - | - | 2,035,800 | 2,035,800 | - | - | - | 2,035,800 | 652,206 |
| Printing, advertising and media | 339,849 | 168,452 | 457,583 | 276,690 | 1,242,574 | 117,501 | 340,629 | 458,130 | 1,700,704 | 1,952,653 |
| Occupancy | 1,433,462 | 1,209,603 | 7,311,818 | 492,189 | 10,447,072 | 381,213 | 657,753 | 1,038,966 | 11,486,038 | 10,163,472 |
| Miscellaneous | 39,568 | 453,391 | 116,573 | 23,696 | 633,228 | 10,002 | 50,555 | 60,557 | 693,785 | 430,578 |
| Interest, insurance, fees and other | 91,772 | 40,192 | 293,252 | 60,014 | 485,230 | 961,265 | 395,047 | 1,356,312 | 1,841,542 | 1,469,363 |
| Depreciation and amortization | 3,570,651 | 1,360,248 | 5,951,085 | 2,720,683 | 13,602,667 | 2,012,257 | 2,040,372 | 4,052,629 | 17,655,296 | 14,696,670 |
| Total operating expenses | $ 44,056,551 | $ 38,635,757 | $ 104,037,074 | $ 20,066,700 | $ 206,796,082 | $ 18,379,495 | $ 25,371,745 | $ 43,751,240 | $ 250,547,322 | $ 218,512,377 |

*This schedule should be read in conjunction with the accompanyingreport of independent certified public accountants and consolidated financial statements and notes thereto.*

Leadership for Educational Equity

## SCHEDULE OF UNRESTRICTED FUNCTIONAL EXPENSES

For the year ended September 30, 2012, with comparative totals for 2011

| | Program services | | | Supporting services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Membership services | Leadership development | Total program services | Management and general | Fundraising | Total supporting services | 2012 Total | 2011 Total |
| Expenses: | | | | | | | | |
| Personnel expenses | $ 163,469 | $ 1,545,494 | $ 1,708,963 | $ 696,727 | $ 146,583 | $ 843,310 | $ 2,552,273 | $ 685,976 |
| Professional services | 4,598 | 249,409 | 254,007 | 404,002 | 1,597 | 405,599 | 659,606 | 355,233 |
| Travel, meetings and subsistence | 30,128 | 280,087 | 310,215 | 118,708 | - | 118,708 | 428,923 | 142,029 |
| Postage and deliver | 143 | 17,949 | 18,092 | 3,739 | - | 3,739 | 21,831 | 1,762 |
| Telecommunications | 135 | 8,932 | 9,067 | 22,364 | - | 22,364 | 31,431 | 7,612 |
| Equipment and supplies | 30,685 | 4,642 | 35,327 | 228,711 | 1,417 | 230,128 | 265,455 | 5,363 |
| Subscriptions and dues | 20,463 | - | 20,463 | 3,711 | - | 3,711 | 24,174 | 13,965 |
| Printing, advertising and media | 8,800 | - | 8,800 | 2,295 | - | 2,295 | 11,095 | 7,244 |
| Occupancy | - | - | - | 23,801 | - | 23,801 | 23,801 | 13,412 |
| Miscellaneous | 150 | 51 | 201 | 8,614 | - | 8,614 | 8,815 | 5,383 |
| Interest, insurance, fees and other | - | - | - | 4,206 | - | 4,206 | 4,206 | 6,144 |
| Depreciation and amortization | - | - | - | 14,670 | - | 14,670 | 14,670 | - |
| Total Expenses | $ 258,571 | $ 2,106,564 | $ 2,365,135 | $ 1,531,548 | $ 149,597 | $ 1,681,145 | $ 4,046,280 | $ 1,244,123 |

*This schedule should be read in conjunction with the accomanyingreport of independent certified public accountants and ocnsolidted financial statements and notes thereto.*

Teach For America, Inc.

## CONSOLIDATED SCHEDULE OF UNRESTRICTED FUNCTIONAL EXPENSES

For the year ended September 30, 2011

| | Program Services | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Teacher recruitment and selection | Pre-service institute | Placement, professional development, and other | Alumni Affairs | Total Program Services | Management and General | Fundraising | Total Supporting Services | 2011 Total |
| Expenses: | | | | | | | | | |
| Personnel expenses | $ 23,625,307 | $ 14,105,438 | $ 58,585,041 | $ 10,421,946 | $ 106,737,732 | $ 8,413,231 | $ 15,315,179 | $ 23,728,410 | $ 130,466,142 |
| Professional services | 1,258,121 | 404,675 | 3,077,404 | 1,059,574 | 5,799,774 | 2,029,466 | 717,875 | 2,747,341 | 8,547,115 |
| Travel, meetings and subsistence | 2,684,714 | 5,716,827 | 7,000,596 | 3,786,190 | 19,188,327 | 750,522 | 1,300,990 | 2,051,512 | 21,239,839 |
| Institute food and lodging | 28 | 8,651,199 | 6,132 | 28 | 8,657,387 | 15 | 126 | 141 | 8,657,528 |
| Corps member support | 3,915,667 | 127,688 | 5,490,968 | 509,339 | 10,043,662 | 2,009 | 211,643 | 213,652 | 10,257,314 |
| Postage and delivery | 52,960 | 35,366 | 312,003 | 54,293 | 454,622 | 19,098 | 51,079 | 70,177 | 524,799 |
| Telecommunications | 413,674 | 223,673 | 1,841,914 | 212,599 | 2,691,860 | 133,466 | 190,928 | 324,394 | 3,016,254 |
| Equipment and supplies | 829,452 | 1,220,733 | 3,016,548 | 1,247,958 | 6,314,691 | 310,528 | 499,906 | 810,434 | 7,125,125 |
| Special events - other | 1,198 | 29,324 | 38,601 | 3,074 | 72,197 | 26,303 | 49,109 | 75,412 | 147,609 |
| Subscription and dues | 14,278 | 29,654 | 189,616 | 51,341 | 284,889 | 5,983 | 86,780 | 92,763 | 377,652 |
| Grants | - | - | 85,000 | - | 85,000 | - | - | - | 85,000 |
| Printing, advertising and media | 288,061 | 329,701 | 589,141 | 164,333 | 1,371,236 | 137,413 | 451,250 | 588,663 | 1,959,899 |
| Occupancy | 1,310,249 | 945,015 | 6,219,456 | 655,679 | 9,130,399 | 426,107 | 620,376 | 1,046,483 | 10,176,882 |
| Miscellaneous | 167,616 | 112,827 | 88,738 | 22,028 | 391,209 | 10,876 | 31,369 | 42,245 | 433,454 |
| Interest, insurance, fess and other | 119,569 | 48,346 | 324,795 | 80,725 | 573,435 | 504,817 | 399,760 | 904,577 | 1,478,012 |
| Depreciation and amortization | 2,970,975 | 1,131,800 | 4,951,625 | 2,263,600 | 11,318,000 | 1,680,970 | 1,697,700 | 3,378,670 | 14,696,670 |
| Total | $ 37,651,869 | $ 33,112,266 | $ 91,817,578 | $ 20,532,707 | $ 183,114,420 | $ 14,450,804 | $ 21,624,070 | $ 36,074,874 | $ 219,189,294 |

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and consolidated financial statements and notes thereto.*

CONSOLIDATED FINANCIAL STATEMENTS AND OMB CIRCULAR A-133
SUPPLEMENTARY SCHEDULE TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TEACH FOR AMERICA, INC.**

September 30, 2012 and 2011

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
**Teach For America, Inc.:**

We have audited the accompanying consolidated statements of financial position of Teach For America, Inc. ("Teach for America") and its subsidiary, Leadership for Educational Equity ("LEE"), (collectively, "TFA"), as of September 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of TFA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TFA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teach For America, Inc., and Leadership for Educational Equity, as of September 30, 2012 and 2011, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013, on our consideration of TFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of TFA as of and for the years ended September 30, 2012 and 2011, taken as a whole. The accompanying schedule of expenditures of federal awards of Teach For America, Inc. for the year then ended September 30, 2012 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations,* and is also not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Grant Thornton LLP

New York, New York
February 27, 2013

Teach For America, Inc.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2012 and 2011

| ASSETS | 2012 | 2011 |
|---|---|---|
| Cash and cash equivalents | $ 47,251,037 | $ 31,767,895 |
| Government grants and contracts receivable | 36,463,431 | 17,115,248 |
| Fee for service receivable | 19,542,359 | 15,595,648 |
| Prepaid expenses and other assets (Note G) | 5,906,255 | 4,732,178 |
| Contributions receivable, net (Note C) | 123,585,280 | 138,123,861 |
| Loans receivable from corps members, net of allowance of $545,270 and $686,284 in 2012 and 2011, respectively (Note D) | 10,582,940 | 8,888,097 |
| Investments, at fair value (Note E) | 160,800,743 | 117,494,011 |
| Fixed assets, net (Note F) | 43,684,075 | 39,316,422 |
| Total assets | $ 447,816,120 | $ 373,033,360 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 22,828,609 | $ 18,720,284 |
| Education awards to corps members (Note H) | - | 1,385,766 |
| Deferred rent payable and other liabilities (Note J) | 5,838,853 | 1,993,634 |
| Total liabilities | 28,667,462 | 22,099,684 |
| Commitments and contingencies (Notes J and O) | | |
| Net assets: | | |
| Unrestricted (Note L) | 211,266,616 | 166,970,127 |
| Temporarily restricted (Note K) | 103,720,169 | 94,801,686 |
| Permanently restricted (Note L) | 104,161,873 | 89,161,863 |
| Total net assets | 419,148,658 | 350,933,676 |
| Total liabilities and net assets | $ 447,816,120 | $ 373,033,360 |

*The accompanying notes are an integral part of these consolidated statements.*

Teach For America, Inc.

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2012 , with comparative totals for 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2012 Total | 2011 Total |
|---|---|---|---|---|---|
| Revenues, gains and other support: | | | | | |
| Contributions (Note O) | $ 18,094,682 | $ 182,676,244 | $ 15,000,010 | $ 215,770,936 | $ 196,883,416 |
| Government grants and contracts | 61,546,661 | - | - | 61,546,661 | 42,874,615 |
| Fee for service | 28,742,484 | - | - | 28,742,484 | 23,198,766 |
| Contributed goods and services (Note M) | 306,635 | - | - | 306,635 | 4,754,355 |
| Interest and dividend income (Note E) | 76,578 | 334,946 | - | 411,524 | 128,762 |
| Net appreciation(depreciation) in fair value of investments (Note E) | 1,306,309 | 9,249,935 | - | 10,556,244 | (1,398,720) |
| Licensing fees and other revenue | 2,065,929 | - | - | 2,065,929 | 3,626,368 |
| Net assets released from restrictions (Note K) | 183,342,642 | (183,342,642) | - | - | - |
| Total revenues, gains and other support | 295,481,920 | 8,918,483 | 15,000,010 | 319,400,413 | 270,067,562 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Teacher recruitment and selection | 44,056,551 | - | - | 44,056,551 | 37,651,869 |
| Pre-service institute | 38,635,757 | - | - | 38,635,757 | 33,112,266 |
| Placement, professional development, and other | 104,037,074 | - | - | 104,037,074 | 91,817,578 |
| Alumni affairs | 20,396,035 | - | - | 20,396,035 | 20,532,707 |
| Total program services | 207,125,417 | - | - | 207,125,417 | 183,114,420 |
| Supporting services: | | | | | |
| Management and general | 19,911,043 | - | - | 19,911,043 | 14,450,804 |
| Fundraising | 25,521,342 | - | - | 25,521,342 | 21,624,070 |
| Total supporting services | 45,432,385 | - | - | 45,432,385 | 36,074,874 |
| Total expenses | 252,557,802 | - | - | 252,557,802 | 219,189,294 |
| Increase in net assets before nonrecurring activities | 42,924,118 | 8,918,483 | 15,000,010 | 66,842,611 | 50,878,268 |
| Transfer of net assets - deconsolidation of Teach for All, Inc. | - | - | - | - | (9,271,742) |
| Transfer of net assets - consolidation of Leadership for Educational Equity | - | - | - | - | 211,968 |
| Expiration of education awards (Note H) | 1,372,371 | - | - | 1,372,371 | - |
| Change in net assets | 44,296,489 | 8,918,483 | 15,000,010 | 68,214,982 | 41,818,494 |
| Net assets, beginning of year | 166,970,127 | 94,801,686 | 89,161,863 | 350,933,676 | 309,115,182 |
| Net assets, end of year | $ 211,266,616 | $ 103,720,169 | $ 104,161,873 | $ 419,148,658 | $ 350,933,676 |

*The accompanying notes are an integral part of this consolidated statement.*

Teach For America, Inc.

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Revenues, gains and other support: | | | | |
| Contributions | $ 10,913,605 | $ 175,969,801 | $ 10,000,010 | $ 196,883,416 |
| Government grants and contracts | 42,874,615 | - | - | 42,874,615 |
| Fee for service | 23,198,766 | - | - | 23,198,766 |
| Contributed goods and services (Note M) | 4,754,355 | - | - | 4,754,355 |
| Interest and dividend income (Note E) | 6,075 | 122,687 | - | 128,762 |
| Net (depreciation) appreciation in fair value of investments (Note E) | (26,059) | (1,372,661) | - | (1,398,720) |
| Licensing fees and other revenue | 3,626,368 | - | - | 3,626,368 |
| Net assets released from restrictions (Note K) | 176,685,741 | (176,685,741) | - | - |
| Total revenues, gains and other support | 262,033,466 | (1,965,914) | 10,000,010 | 270,067,562 |
| Expenses: | | | | |
| Program services: | | | | |
| Teacher recruitment and selection | 37,651,869 | - | - | 37,651,869 |
| Pre-service institute | 33,112,266 | - | - | 33,112,266 |
| Placement, professional development, and other | 91,817,578 | - | - | 91,817,578 |
| Alumni affairs | 20,532,707 | - | - | 20,532,707 |
| Total program services | 183,114,420 | - | - | 183,114,420 |
| Supporting services: | | | | |
| Management and general | 14,450,804 | - | - | 14,450,804 |
| Fundraising | 21,624,070 | - | - | 21,624,070 |
| Total supporting services | 36,074,874 | - | - | 36,074,874 |
| Total expenses | 219,189,294 | - | - | 219,189,294 |
| Increase (decrease) in net assets before nonrecurring activities | 42,844,172 | (1,965,914) | 10,000,010 | 50,878,268 |
| Transfer of net assets - deconsolidation of Teach for All, Inc. | (2,423,056) | (6,848,686) | - | (9,271,742) |
| Transfer of net assets - consolidation of Leadership for Educational Equity | - | 211,968 | - | 211,968 |
| Change in net assets | 40,421,116 | (8,602,632) | 10,000,010 | 41,818,494 |
| Net assets, beginning of year | 126,549,011 | 103,404,318 | 79,161,853 | 309,115,182 |
| Net assets, end of year | $ 166,970,127 | $ 94,801,686 | $ 89,161,863 | $ 350,933,676 |

*The accompanying notes are an integral part of this consolidated statement.*

Teach For America, Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 68,214,982 | $ 41,818,494 |
| Adjustment to reconcile increase in net assets to net cash provided by operating activities: | | |
| Transfer of net assets - deconsolidation of Teach for All, Inc. | - | 9,271,742 |
| Transfer of net assets - consolidation of Leadership for Educational Equity | - | (211,968) |
| Depreciation and amortization | 17,669,966 | 14,696,670 |
| (Appreciation) depreciation in fair value of investments | (10,556,244) | 1,398,720 |
| Change in present value of contribution receivable | (397,851) | (800,535) |
| Bad debt expense | 340,418 | - |
| Contributed investment securities | (24,990,573) | (7,058,241) |
| Permanently restricted contributions | (15,000,010) | (10,000,010) |
| Change in allowance for doubtful accounts | (242,890) | 78,656 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in government grants and contracts receivable | (19,348,183) | 13,048,357 |
| Increase in fee for service receivable | (3,946,711) | (1,753,810) |
| (Increase) decrease in prepaid expense and other assets | (1,174,077) | 210,929 |
| Decrease in contributions receivable | 15,038,307 | 182,046 |
| (Decrease) increase in accounts payable and accrued expenses | 4,108,325 | (914,838) |
| Decrease in education awards to corps members | (1,385,766) | (80,169) |
| Increase (decrease)in deferred rent payable and other liabilities | 3,845,219 | (875,431) |
| Net cash provided by operating activities | 32,174,912 | 59,010,612 |
| Cash flows from investing activities: | | |
| Loans to corps members | (7,482,637) | (6,307,970) |
| Repayments of loans from corps members | 5,588,391 | 4,598,745 |
| Proceeds from the sale of investments | 77,695,576 | 38,635,353 |
| Purchase of investments | (85,455,491) | (58,772,436) |
| Purchase of fixed assets | (21,930,198) | (23,891,773) |
| Net cash used in investing activities | (31,584,359) | (45,738,081) |
| Cash flows from financing activities: | | |
| (Payments) proceeds from line of credit, net | - | (14,000,000) |
| Permanently restricted contributions | 15,000,010 | 10,000,010 |
| Payments on capital lease obligation | (107,421) | - |
| Net cash provided by (used in) financing activities | 14,892,589 | (3,999,990) |
| Net increase in cash and cash equivalents | 15,483,142 | 9,272,541 |
| Cash and cash equivalents, beginning of year | 31,767,895 | 22,495,354 |
| Cash and cash equivalents, end of year | $ 47,251,037 | $ 31,767,895 |
| Supplemental disclosure: | | |
| Cash paid for interest | $ 147,860 | $ 180,619 |

*The accompanying notes are an integral part of these consolidated statements.*

## NOTE A - ORGANIZATION AND NATURE OF OPERATIONS

Teach For America, Inc., ("Teach For America") is a not-for-profit corporation incorporated in the State of Connecticut on October 6, 1989. Leadership for Educational Equity, ("LEE") is a not-for-profit corporation incorporated in the State of New York on October 23, 2006.

Teach For America is dedicated to building a national corps of outstanding recent college graduates of all academic majors who commit two years to teach in under-resourced urban and rural public schools and who become lifelong leaders in pursuit of expanding educational opportunity. Teach For America recruits and selects recent college graduates who meet high standards, trains them in an intensive summer program, places them in urban and rural school districts, and coordinates a support network for them during the two years they commit to teach. Teach For America also works to keep alumni connected to each other and to its mission.

LEE's mission is to enable Teach For America corps members and alumni to realize high impact careers in public leadership by: (1) educating its members about the policy, advocacy and political landscape in their region and in the nation so they are inspired and ready to participate politically and civically; (2) equipping its members with the skills, resources, and experiences to successfully pursue public leadership positions; (3) helping its members become highly effective change agents for educational equity once in positions of leadership; and (4) fostering a thriving LEE community in which members support one another in pursuing public leadership and actively engage around political and civic matters.

At September 30, 2012 and 2011, Teach For America and LEE were separate legal entities that share similar board members and officers. Both are exempt from corporate federal income tax. Teach For America is exempt under Section 501(c)(3) of the Internal Revenue Code and LEE is exempt under Section 501(c)(4) of the Internal Revenue Code and similar state provisions.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Teach For America as of and for the year ended September 30, 2012 and 2011 and LEE as of and for the year ended December 31, 2012 and 2011 (collectively, "TFA") and have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as applicable to not-for-profit organizations. All significant intercompany transactions have been eliminated in consolidation.

**NOTE B (continued)**

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TFA and changes therein are classified and reported as follows:

*Unrestricted* - Net assets that are not subject to donor-imposed stipulations. These amounts include board-designated resources for use as long-term investment to provide an ongoing stream of investment income for selected activities such as expansion and program services and cash reserves, in the event TFA experiences a cash shortfall. At September 30, 2012 and 2011, the total amount of board-designated net assets authorized to function as endowments were $57,972,187 and $44,250,346, respectively, (Note L).

*Temporarily restricted* - Include net assets subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by the actions of TFA, pursuant to those stipulations (Note K).

*Permanently restricted* - Include net assets subject to donor-imposed stipulations that require resources to be maintained as funds of a permanent duration (Note L). The income derived from permanently restricted net assets is available for general or specific purposes, as stipulated by the respective donors.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

2. *Fair Value Measurements*

TFA follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

**NOTE B (continued)**

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments categorized as Level 1 include listed equities held in the entity's name and exclude listed equities and other securities held indirectly through commingled funds.

Level 2: Pricing inputs including broker quotes other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statements of financial position or in the near term, which is considered to be within 90 days.

Level 3: Pricing inputs are unobservable and include situations where there is little, if any, market activity for those assets or liabilities. Fair value measurement for these financial instruments require significant management judgment or estimation. Investments that are categorized as Level 3 generally include privately held investments and partnership interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

*3. Functional Allocation of Expenses*

The costs of providing TFA's programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following is a description of TFA's programs:

*Teacher Recruitment and Selection*
TFA recruits and selects a teaching corps of outstanding college graduates to teach the nation's most underserved students. The recruitment and selection process consists of scheduling and attending on- and off-campus recruiting events, processing applications (approximately 48,000 in 2012 and 2011), and conducting day-long interview sessions in multiple sites across the country. TFA had approximately 5,800 and 5,100 new corps members, who began their fall teaching assignments in 2012 and 2011, respectively.

**NOTE B (continued)**

*Pre-Service Institute*
For incoming corps members, TFA conducts intensive summer training institutes held on various university campuses. In 2012, institutes were held at nine campuses: University of Houston, Temple University, Loyola Marymount University, St. John's University, Georgia Institute of Technology, Arizona State University, Illinois Institute of Technology, Delta State University and University of Tulsa. As part of TFA's ongoing relationship with the: Houston Independent School District; Los Angeles Unified School District; the School District of Philadelphia; Atlanta Public Schools; the New York City Department of Education; Phoenix Public Schools; Chicago Public Schools; Mississippi Delta Public Schools and Tulsa Public Schools, corps members teach students who are enrolled in Houston, Los Angeles, Philadelphia, Atlanta, New York City, Phoenix, Chicago, Mississippi Delta and Tulsa public summer school programs.

*Placement, Professional Development, and Other*
TFA places corps members in various urban and rural regions throughout the United States. In each region, TFA has regional offices, which are responsible for placing corps members in schools, monitoring progress throughout their two-year commitment, providing opportunities for ongoing professional development, and helping corps members to feel part of a national corps. In 2012 and 2011, TFA placed corps members in 46 and 43 regions, respectively.

*Alumni Affairs*
TFA has an alumni base of former corps members all over the world. These individuals present a powerful opportunity to continue to expand educational opportunity.

4. *Cash and Cash Equivalents*

Cash and cash equivalents include cash and short-term investments, with original maturities of three months or less, which are not under investment management for long-term purposes.

5. *Investments*

Investments in equity securities with readily determinable fair values are measured at fair value in the accompanying consolidated statements of financial position and reported based on quoted market prices. Reported fair values for alternative investments are estimated by the respective external investment manager if ascertainable market values are not readily available. Such valuations involve assumptions and methods that are reviewed and accepted by TFA.

**NOTE B (continued)**

Because TFA's alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential subjectivity of investment valuations, the amounts reported in the accompanying consolidated financial statements can vary substantially from settlement amounts resulting from sale or exchange of such investments and, such differences could be material.

6. *Contributions*

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged based upon donor restriction, if any. Contributions to be received after one year are discounted using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Contributions of assets other than cash, including goods and services, are recorded at their estimated fair value at the date of contribution.

7. *Special Events Revenue*

Revenue and expenses related to special events are recognized upon occurrence of the respective event and, are presented net of direct expenses within contributions in the accompanying consolidated statements of activities.

8. *Fee for Service Revenue*

TFA has contractual agreements with various school districts across the United States of America to recruit, select, train, and place corps members to teach within their school districts. TFA recognizes revenue related to these contractual agreements as earned, that is, when the school district places a corps member.

9. *Loans Receivable*

Loans receivable are recorded at their net realizable values and are generally due over a period of 1 to 2 years.

10. *Government Grants and Contracts*

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred or services rendered under such agreements (Note J).

## NOTE B (continued)

11. *Allowances for Doubtful Accounts*

Allowances for doubtful accounts are provided based upon management's judgment including such factors as prior collection history and type of receivable. Receivables are written-off when deemed uncollectible. Payments, if any, subsequently received on previously reserved receivables are applied to the allowance for doubtful accounts.

12. *Fixed Assets*

Computer equipment and software and furniture, fixtures, and office equipment with a unit cost in excess of $2,500 are recorded at cost and depreciated on a straight-line basis over an estimated useful life ranging from three to five years. Leasehold improvements with a unit cost in excess of $2,500 are recorded at cost and amortized on a straight-line basis over the lesser of the economic useful life of the respective asset or the remaining lease term.

13. *Income Taxes*

TFA follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties. Adoption of this standard, had no material impact on the accompanying consolidated financial statements. The tax years ended 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. TFA has processes presently in place to ensure the maintenance of its tax-exempt status; identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and identify and evaluate other matters that may be considered tax positions.

14. *Concentration of Credit Risk*

Financial instruments which potentially subject TFA to concentrations of credit risk consist primarily of cash and cash equivalents and investment securities. TFA maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At certain times, TFA's bank balances may exceed federally insured limits. However, TFA has not experienced, nor does it anticipate, any losses with respect to such bank balances. TFA's investment portfolio is diversified with several investment managers in a variety of asset classes. TFA regularly evaluates its depository arrangements and investments, including performance thereof. TFA believes that its credit risks are not significant. In addition, TFA received 18% of its contributions from Board members during the years ended September 30, 2012 and 2011.

## NOTE B (continued)

*15. Use of Estimates*

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant estimates include the determination of allowances for doubtful accounts; fair value measurement of investments that have no ready market; and estimated useful lives of capital assets. Actual results could differ from those estimates.

*16. Reclassification*

Certain 2011 amounts have been reclassified in order to conform to the fiscal 2012 presentation.

## NOTE C - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at September 30, 2012 and 2011, were scheduled to be collected as follows:

| | 2012 | 2011 |
|---|---|---|
| Less than one year | $ 98,244,931 | $ 93,714,657 |
| One to five years | 26,764,206 | 46,332,787 |
| | 125,009,137 | 140,047,444 |
| Less: discount to present value ranging from 0.25% to 1.27% | (144,742) | (542,593) |
| | 124,864,395 | 139,504,851 |
| Less: allowance for doubtful accounts | (1,279,114) | (1,380,990) |
| | $ 123,585,280 | $ 138,123,861 |

TFA has also been notified of certain intentions to give. However, these amounts have not been recorded in the accompanying consolidated financial statements due to their conditional nature (e.g. challenge grants). Such conditional gifts totaled approximately $21,576,000 and $28,985,800 at September 30, 2012 and 2011, respectively.

## NOTE D - LOANS RECEIVABLE FROM CORPS MEMBERS

TFA makes uncollateralized loans to corps members based on financial need. Corps member loans are funded through TFA's loan programs. At September 30, 2012 and 2011, loans represented 2.4% of total assets.

## NOTE D (continued)

At September 30, 2012 and 2011, corps member loans consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Corps Member Loan Program | $ 11,090,540 | $ 9,511,108 |
| Corps Member Placement Loans | 37,670 | 63,273 |
| Less: allowance for doubtful accounts | (545,270) | (686,284) |
| | $ 10,582,940 | $ 8,888,097 |

At September 30, 2012 and 2011, the following amounts were past due under the corps member loan program:

| September 30, | One year past due | Two years past due | Over three years past due | Total past due |
|---|---|---|---|---|
| 2012 | $ 418,741 | $ 145,026 | $ 399,331 | $ 963,098 |
| 2011 | 248,425 | 193,660 | 227,339 | 669,424 |

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be uncollectible.

## NOTE E - INVESTMENTS, AT FAIR VALUE

At September 30, 2012 and 2011, TFA's investments consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Money market funds | $ 4,753,402 | $ 44,808,362 |
| Equities | 24,545,034 | 8,363,821 |
| Fixed income | 39,042,902 | - |
| Limited partnerships | 92,459,405 | 64,321,828 |
| | $ 160,800,743 | $ 117,494,011 |

## NOTE E (continued)

The following table summarizes investments by level, within the fair value hierarchy as of September 30, 2012:

| | Level 1 | Level 2 | Level 3 | **Total** |
|---|---|---|---|---|
| Money market funds | $ 4,753,402 | $ - | $ - | **$ 4,753,402** |
| Equities | 24,545,034 | - | - | **24,545,034** |
| Fixed income | 39,042,902 | - | - | **39,042,902** |
| Limited partnerships | - | - | 92,459,405 | **92,459,405** |
| Total | $ 68,341,338 | $ - | $ 92,459,405 | **$160,800,743** |

The following table summarizes the changes in fair values associated with Level 3 assets as of September 30, 2012:

| | Limited Partnerships |
|---|---|
| Balance as of October 1, 2011 | $ 64,321,828 |
| Purchases | 20,500,000 |
| Unrealized gains | 7,637,577 |
| **Balance as of September 30, 2012** | **$ 92,459,405** |

The following table summarizes investments by level, within the fair value hierarchy as of September 30, 2011:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Money market funds | $ 44,808,362 | $ - | $ - | $ 44,808,362 |
| Equities | 8,363,821 | - | - | 8,363,821 |
| Limited partnerships | - | - | 64,321,828 | 64,321,828 |
| Total | $ 53,172,183 | $ - | $ 64,321,828 | $117,494,011 |

The following table summarizes the changes in fair values associated with Level 3 assets as of September 30, 2011:

| | Limited Partnerships |
|---|---|
| Balance as of October 1, 2010 | $ 28,772,436 |
| Purchases | 35,720,000 |
| Unrealized losses | (170,608) |
| Balance as of September 30, 2011 | $ 64,321,828 |

## NOTE E (continued)

At September 30, 2012 and 2011, TFA's investment returns consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Interest and dividend income | $ 411,524 | $ 128,762 |
| (Loss) gain in fair value of investments | 11,304,290 | (957,988) |
| Investment fees | (748,046) | (440,732) |
| Net (depreciation) appreciation in fair value of investments | 10,556,244 | (1,398,720) |
| Total investment return | $10,967,768 | $ (1,269,958) |

TFA uses the Net Asset Value (NAV) per share to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investments company or have the attributes of an investments company. Per the accounting standard governing NAV as a practical expedient, the following table lists investments in other companies by major NAV category as of September 30, 2012 and 2011:

2012

| Type | Strategy | NAV in Funds | # of Funds | Remaining Life | $ Amount of Unfunded Commitments | Timing to Drawdown Commitments | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|---|---|---|---|
| Limited partnerships | Invests in hedge funds, private equity and pooled accounts seeking long-term diversified growth | $92,459,405 | 2 | N/A | No such commitments | N/A | Quarterly and Annually | Lock up periods of up to 2 years |

2011

| Type | Strategy | NAV in Funds | # of Funds | Remaining Life | $ Amount of Unfunded Commitments | Timing to Drawdown Commitments | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|---|---|---|---|
| Limited partnerships | Invests in hedge funds, private equity and pooled accounts seeking long-term diversified growth | $64,321,828 | 2 | N/A | No such commitments | N/A | Quarterly and Annually | Lock up periods of up to 2 years |

## NOTE F - FIXED ASSETS, NET

Fixed assets at September 30, 2012 and 2011, consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Computer equipment and software | **$ 76,695,355** | $ 57,849,344 |
| Furniture, fixtures and office equipment | **7,178,671** | 5,226,135 |
| Leasehold improvements | **16,070,606** | 14,665,158 |
| | **99,944,632** | 77,740,637 |
| Less: accumulated depreciation and amortization | **(56,403,966)** | (38,734,000) |
| | **43,540,666** | 39,006,637 |
| Construction-in-progress | **143,409** | 309,785 |
| | **$ 43,684,075** | $ 39,316,422 |

Depreciation and amortization expense was $17,669,966 and $14,696,670 for the years ended September 30, 2012 and 2011, respectively.

During fiscal year 2012, Teach For America entered into capital leases for office fixtures and equipment. The leases extend through fiscal year 2015 and have total remaining cash payments due, inclusive of interest, of $1,223,502. The net book value of such leased fixtures and equipment was $837,836 at September 30, 2012, and was included in the table above. Additionally, the amount due under these capital leases of $679,964 was included in accounts payable and accrued liabilities in the accompanying 2012 consolidated statement of financial position.

## NOTE G - RELATED PARTY TRANSACTIONS

During 2008, Teach For America entered into a Resource Sharing and Expense Reimbursement Agreement with LEE, a related party created for Teach for America corps members and alumni who are interested in the role of public policy in attaining educational equity. The agreement states that LEE shall pay Teach For America for all direct expenses incurred by Teach For America on LEE's behalf and that LEE shall pay a pro-rata share of Teach For America's overhead expenses. In addition, LEE agrees to operate and conduct its use of the resources described in the agreement in a manner so as not to interfere with the accomplishment of Teach For America's tax-exempt purposes and not to jeopardize Teach For America's compliance with federal and state laws. During the year ended September 30, 2011, LEE qualified as an entity that is required to be consolidated under, "Not-for-Profit Entities" guidance. As of September 30, 2012 and 2011, amounts owed to Teach For America from this related party totaled approximately $664,292 and $30,467, respectively, and which were eliminated in consolidation.

## NOTE G (continued)

Teach For America also has a Resource Sharing and Expense Reimbursement Agreement with Teach For All, a related party, not controlled by Teach For America, created to expand educational opportunity in other countries. This agreement also states that Teach For All shall pay Teach For America for all direct expenses incurred by Teach For America on Teach For All's behalf and that Teach For All shall pay a pro-rata share of Teach For America's overhead expenses. As of September 30, 2012 and 2011, amounts owed to Teach For America from this related party totaled approximately $23,152 and $80,500, respectively.

## NOTE H - EDUCATION AWARDS DUE TO CORPS MEMBERS

In 2004, TFA established the Teach For America Education Awards (the "awards") for eligible corps members who successfully completed the 2004-2005 school year. The awards were intended to mirror the awards previously provided by the Corporation for National Service. Approximately 1,800 corps members were granted awards in varying amounts up to $4,725 that could be applied to pay student loans or educational expenses. The awards were payable until July 2012, at which time these awards expired. Accordingly, approximately $1,372,000 was recognized as a nonrecurring addition to net assets in the accompanying 2012 consolidated statement of activities.

## NOTE I - LINE OF CREDIT

On July 2, 2012, TFA's line of credit agreement with Wells Fargo Bank, originally dated August 10, 2009, expired (Note P). This credit facility bore interest at the LIBOR market index plus 1.50% per annum for 2012 and 2011 and required adherence to the following financial covenants:

- Maintain at all times liquid assets and current contributions receivables having an aggregate value of not less than $33 million;
- Maintain a ratio of total liabilities to unrestricted net assets not to exceed one to one; and
- Pay down the outstanding balance in its entirety for 30 consecutive days annually.

At September 30, 2011, Teach For America had not drawn down its line of credit and, was in compliance with the above covenants. Additionally, there were no drawdowns in fiscal 2012. TFA renewed this line of credit in November 2012 (Note P).

## NOTE J – COMMITMENTS AND CONTINGENCIES

*Operating Leases*

TFA has entered into a noncancelable lease agreement for office space for its national headquarters, expiring in January 2019. Additionally, TFA has 45 lease agreements for office space for its regional offices, expiring at various times. TFA also has various lease agreements for office equipment at its regional offices and New York office, expiring on various dates.

Future minimum lease payments under all noncancelable operating leases, follow:

| Year ending September 30: | Office Space | Equipment |
|---|---|---|
| 2013 | $ 5,516,003 | $ 316,318 |
| 2014 | 7,371,285 | 358,869 |
| 2015 | 4,717,156 | 278,341 |
| 2016 | 3,194,430 | 169,862 |
| 2017 and thereafter | 3,739,429 | 100,112 |
| Total | $ 24,538,303 | $1,223,502 |

Total rent expense approximated $8,300,000 and $7,000,000 for the years ended September 30, 2012 and 2011, respectively.

*Deferred Rent Payable*

Certain operating leases contain escalation clauses for base rentals. Accordingly, TFA has recorded the straight-line effects of such escalations and recognized a deferred rent liability within deferred rent payable and other liabilities in the consolidated statements of financial position of approximately $1.3 million and $1.7 million at September 30, 2012 and 2011, respectively.

*Contingencies*

In the normal course of its operations, TFA is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of TFA is not aware of any claims or contingencies that would have a material adverse effect on TFA's consolidated financial position, changes in net assets or cash flows.

TFA receives and expends resources in connection with its administration of federal and other governmental grants and contracts. The terms of these agreements generally allow granting agencies the right to audit costs incurred thereunder and, potentially disallow a portion thereof and/or adjust funding on a prospective basis. During fiscal 2012, approximately $924,000 was established as a potential reserve for disallowances, which was included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the accompanying consolidated financial statements.

## NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes at September 30, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| For use in future periods for: | | |
| Expansion | $ 7,727,520 | $ 17,255,040 |
| Teacher recruitment and selection, placement, professional development, and other | 95,992,649 | 77,546,646 |
| | $ 103,720,169 | $ 94,801,686 |

Net assets released from restrictions by incurring expenses satisfying purpose or time restrictions during the years ended September 30, 2012 and 2011, follow:

| | 2012 | 2011 |
|---|---|---|
| Expansion | $ 12,509,122 | $ 18,379,915 |
| Teacher recruitment and selection, placement, professional development, education awards and other | 170,833,520 | 158,305,826 |
| | $ 183,342,642 | $ 176,685,741 |

## NOTE L - ENDOWMENT NET ASSETS

Teach For America's endowment consists of several individual funds established for different purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

Effective October 1, 2007, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Connecticut applies to all donor-restricted endowment funds of Teach For America unless the donor has specifically directed otherwise. Under UPMIFA, an "endowment fund" is defined as a fund that, under the terms of the gift instrument, is not fully expendable on a current basis. The Board of Directors of Teach For America has interpreted UPMIFA as requiring the preservation of so much of such a donor-restricted endowment fund as is directed by the donor in the gift instrument. Where the donor's intent is not clearly articulated in the gift instrument, the Board of Directors of Teach for America interprets UPMIFA as allowing the expenditure of only that amount which is prudent for the uses, benefits, purposes and duration for which the endowment was established, taking into account the following factors:

## NOTE L (continued)

1. The duration and original donor restricted preservation of the endowment fund.
2. The purposes of Teach For America and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income on the appreciation of investments.
6. Other resources of Teach For America.
7. The investment policies of Teach For America.

Teach For America classifies as permanently restricted net assets the amount of the assets in a donor-restricted "endowment fund" that may not be expended according to the factors described above. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by Teach For America in a manner consistent with the standard of prudence prescribed by UPMIFA.

Prior to October 1, 2007, the date that UPMIFA became effective in Connecticut, the Board of Directors of Teach For America interpreted the predecessor statute as requiring the preservation of the "historic dollar value" of the original gift as of the date of gift for donor-restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of such interpretation, Teach For America previously classified as permanently restricted net assets the original corpus of donor-restricted endowment funds, subsequent gifts to donor-restricted endowment funds and the value of accumulations, if any, to such funds made in accordance with the direction of the applicable gift instrument at the time the relevant accumulation was added to the fund.

*Spending Policy*

For the year ended September 30, 2012 and 2011, the Board of Directors of Teach For America determined that there would be no distributions from its endowments.

In subsequent years, and upon authorization from the Board of Directors, spending will be determined based upon the sum of:

- 70% of prior year endowment spending, adjusted upward (or downward) by the inflation (deflation) rate as measured by the change in the consumer price index for the 36 months ending on the date six months prior to the start of the fiscal year (i.e., for fiscal 2013, which begins on October 1st this would be the 36 months ending April 1st).

- 30% of the long-term spending rate of 5%, multiplied by the average market value of the endowment over the 36 months ending on the date six months prior to the start of the fiscal year (calculated by averaging the market value of the endowment on the dates 6 months, 9 months, 12 months, and 15 months before the start of the fiscal year).

## NOTE L (continued)

In establishing this policy, Teach For America considered the long-term expected return on its endowment. Accordingly, over the long term, Teach For America expects the current spending policy to allow its endowment to grow at a pace at least equal with inflation. This is consistent with Teach For America's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term to support future operations.

*Return Objectives and Risk Parameters*

TFA has adopted investment and spending policies for endowment assets that attempt to provide a predictable and stable stream of funding to programs and support services supported by its endowment while seeking to maintain the purchasing power of the endowment assets to support future operations. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, Teach For America relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Teach For America targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Teach For America received $15,000,000 in endowment cash and pledges in fiscal 2012 that have not been invested as of September 30, 2012. Endowment net asset composition, excluding pledges receivable, as of September 30, 2012, follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | **Total** |
|---|---|---|---|---|
| Board-designated endowment funds | $ 57,972,187 | $ - | $ - | **$ 57,972,187** |
| Donor-restricted endowment funds | - | 13,666,683 | 89,161,873 | **102,828,556** |
| Total | $ 57,972,187 | $ 13,666,683 | $ 89,161,873 | **$160,800,743** |

## NOTE L (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2012:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | **Total** |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 44,250,346 | $ 4,081,802 | $ 69,161,863 | **$ 117,494,011** |
| Investment return: | | | | |
| Investment income | 76,578 | 334,946 | - | **411,524** |
| Net appreciation (realized and unrealized) | 1,306,309 | 9,249,935 | - | **10,556,244** |
| Total investment return | 1,382,888 | 9,584,881 | - | **10,967,768** |
| Contributions, including collections of prior year pledges | - | - | 20,000,010 | **20,000,010** |
| Board-designated additions | 12,338,954 | - | - | **12,338,954** |
| Endowment net assets, end of year | $ 57,972,187 | $ 13,666,683 | $ 89,161,873 | **$ 160,800,743** |

For the year ended September 30, 2012, the permanently restricted contributions of $20,000,010 presented above included $10,000,010 of pledge payments for a $5,000,010 pledge made in fiscal 2010 and a $5,000,000 fiscal 2011 matching gift.

Endowment net asset composition, excluding pledges receivable, as of September 30, 2011, follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Board-designated endowment funds | $ 44,250,346 | $ - | $ - | $ 44,250,346 |
| Donor-restricted endowment funds | - | 4,081,802 | 69,161,863 | 73,243,665 |
| Total | $ 44,250,346 | $ 4,081,802 | $ 69,161,863 | $117,494,011 |

## NOTE L (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2011:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 37,203,779 | $ 5,331,775 | $ 49,161,853 | $ 91,697,407 |
| Investment return: | | | | |
| Investment income | 6,075 | 122,687 | - | 128,762 |
| Net appreciation (realized and unrealized) | (26,059) | (1,372,661) | - | (1,398,720) |
| Total investment return | (19,984) | (1,249,974) | - | (1,269,958) |
| Contributions, including collection of prior year pledges | - | - | 20,000,010 | 20,000,010 |
| Board-designated additions | 7,066,552 | - | - | 7,066,552 |
| Endowment net assets, end of year | $ 44,250,346 | $ 4,081,802 | $ 69,161,863 | $ 117,494,011 |

For the year ended September 30, 2011, the permanently restricted contributions of $20,000,010 presented above included $10,000,010 of pledge payments for a $5,000,010 pledge made in fiscal 2010 and a $5,000,000 fiscal 2011 matching gift.

Permanently restricted net assets of $89,161,873 and $69,161,863 at September 30, 2012 and 2011, respectively, provided investment returns to support general operating purposes, as per donor intent, none of which were appropriated by the Board of Directors for expenditure.

## NOTE M - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services for the years ended September 30, 2012 and 2011, consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| Computers and equipment | $ 1,959 | $ 4,383,045 |
| Professional fees | - | 9,404 |
| Legal | 232,836 | 242,082 |
| Facilities | 21,325 | 11,118 |
| Supplies | 35,373 | 72,529 |
| Event services | 9,902 | 36,095 |
| Other | 5,240 | 82 |
| | $ 306,635 | $ 4,754,355 |

## NOTE N - RETIREMENT PLAN

TFA offers full and part-time staff members who work at least 20 hours a week the opportunity to participate in a 403(b) retirement program. This is a defined contribution plan with employer matching contributions equal to 100% of the employee's contributions up to 5% of their gross earned salary in each fiscal year. Participants are fully vested after six months of employment, increasing to 12 months, effective October 1, 2008. Withdrawal cannot be made without penalty until the age of 59½. TFA matching contributions totaled approximately $3,600,000 and $3,101,000 for the years ended September 30, 2012 and 2011, respectively.

During fiscal 2012, Teach For America established an Executive 457(b) Retirement Plan, which is a non-qualified 457(b) Retirement Plan for select key managerial and highly compensated employees. Only discretionary employer contributions are allowed under the plan. For the fiscal year ended September 30, 2012, employer contributions to this Plan were approximately $8,400.

## NOTE O – SPECIAL EVENT REVENUE

TFA conducts various special fundraising events throughout the year, the net results of which were included within unrestricted contributions in the accompanying consolidated statements of activities. TFA recognizes special event revenue only to the extent of the fair market value of the direct benefit to donors and the remaining funds are recognized as contributions. As of September 30, 2012 and 2011, a summary of the special events activities follows:

| | 2012 | 2011 |
|---|---|---|
| Fair value of direct donor benefit | $ 601,798 | $ 963,826 |
| Other direct expenses | (1,270,740) | (1,066,084) |
| Special events, net | $ (668,942) | $ (102,258) |

## NOTE P - SUBSEQUENT EVENTS

TFA evaluated its September 30, 2012 consolidated financial statements for subsequent events through February 27, 2013, the date the consolidated financial statements were available to be issued. Other than the disclosure below, TFA is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

On November 19, 2012, TFA amended its line of credit agreement with Wells Fargo Bank originally dated August 10, 2009, which expired on July 2, 2012. This credit facility bears interest at the LIBOR market index rate plus 0.70% per annum for 2012 and requires adherence to the following financial covenants:

- Maintain at all times unrestricted specified assets having an aggregate specified value of not less than $50,000,000; and
- Maintain at all times an expendable financial resources to total operating expenses ratio of at least 80%
- Pay down the outstanding balances of all advances to a maximum of $0.00 for a period of 30 consecutive days during the clean-up year

Teach For America, Inc.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA# | Contract Number | Federal Expenditures |
|---|---|---|---|
| *Federal Corporation for National and Community Service:* | | | |
| AmeriCorps National Direct Awards: | | | |
| 2011-2012 Award | 94.006 | 10EDHNY002 | $ 7,582,702 |
| 2012-2013 Award | 94.006 | 10EDHNY002 | 77,153 |
| Federal Pass-Through Awards: | | | |
| The State of Alabama | | | |
| 2011-2012 Competitive Award | 94.006 | 11ESHAL0010001 | 52,024 |
| 2011-2012 Formula Award | 94.006 | 11FXHAL0020001 | 59,361 |
| The State of California | | | |
| 2011-2012 Award | 94.006 | 11AFHY18-F142 | 648,396 |
| The State of Connecticut | | | |
| 2011-2012 Award | 94.006 | 06AFHCT001 | 606,263 |
| 2012-2013 Award | 94.006 | 12ACHCT001 | 46,257 |
| The State of Florida | | | |
| 2011-2012 Award | 94.006 | 06AFHFL0010053 | 406,354 |
| 2012-2013 Award (Jacksonville) | 94.006 | 12AC139391 | 23,532 |
| 2012-2013 Award (Miami-Dade) | 94.006 | 12AC139390 | 29,727 |
| The State of Georgia | | | |
| 2011-2012 Award Fixed Award | 94.006 | 11FXHGA002 | 287,023 |
| 2011-2012 Award Fixed Award | 94.006 | 11ESHGA0010001 | 270,527 |
| The State of Hawaii | | | |
| 2011-2012 Award | 94.006 | 07ACHHI0010003 | 212,132 |
| 2012-2013 Award | 94.006 | MA120061 | 10,326 |
| The State of Illinois | | | |
| 2012-2013 Award | 94.006 | FCSRE01935 | 20,579 |
| The State of Louisiana | | | |
| 2011-2012 Award Competitive | 94.006 | 09ACHLA0010006 | 95,498 |
| 2011-2012 Award Formula | 94.006 | 06AFHLA0010023 | 333,578 |
| 2012-2013 Award Competitive | 94.006 | 12ACHLA0010006 | 6,412 |
| 2012-2013 Award Formula | 94.006 | 06AFHLA0010023 | 30,376 |
| The State of Maryland | | | |
| 2011-2012 Award | 94.006 | 09ACHMD0010003 | 277,242 |
| The State of Michigan | | | |
| 2012-2013 Award | 94.006 | MACF1382364 | 24,386 |
| The State of New Jersey | | | |
| 2011-2012 Award | 94.006 | 12AMER002ANC | 203,745 |
| 2012-2013 Award | 94.006 | 12AMER002ANC | 17,876 |
| The State of New Mexico | | | |
| 2011-2012 Award | 94.006 | 09ACHNM001 | 202,985 |
| 2012-2013 Award | 94.006 | 12ACHNM001 | 5,332 |
| The State of Oklahoma | | | |
| 2011-2012 Fixed Award | 94.006 | 11ESHOK0010001 | 233,059 |
| 2012-2013 Fixed Award | 94.006 | 11ESHOK0010001 | 15,091 |
| The State of Pennsylvania | | | |
| 2011-2012 Award | 94.006 | 09ACHPA0010004 | 747,313 |
| 2012-2013 Award | 94.006 | 09ACHPA0010004 | 39,947 |

Teach For America, Inc.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA# | Contract Number | Federal Expenditures |
|---|---|---|---|
| The State of South Carolina | | | |
| 2011-2012 Fixed Award | 94.006 | 11FXHSC0010001 | $ 46,845 |
| 2012-2013 Fixed Award | 94.006 | 11FXHSC001 | 7,638 |
| The State of South Dakota | | | |
| 2011-2012 Award | 94.006 | 11ASHSD001 | 121,220 |
| 2012-2013 Award | 94.006 | 12AC141258 | 23,053 |
| The State of Texas | | | |
| 2011-2012 Award | 94.006 | 10ESHTX0010001 | 299,910 |
| 2012-2013 Award | 94.006 | 12FXHTX0010001 | 67,257 |
| The State of Wisconsin | | | |
| 2011-2012 Award | 94.006 | 11ESHWI0010001 | 133,671 |
| 2012-2013 Award | 94.006 | AD129660 | 8,781 |
| Total Federal Corporation for National and Community Service | | | 13,273,571 |
| *U.S. Department of Education:* | | | |
| Investment in Education Fund (i3) - ARRA | 84.396A | U396A100015 | 11,017,792 |
| Supporting Effective Education Development (SEED) | 84.367D | S367D120030-12A | 15,000,000 |
| Total U.S. Department of Education Direct Awards | | | 26,017,792 |
| Race to the Top: | | | |
| Pass-through from the State of Georgia: | | | |
| 2011-2012 Award - ARRA | 84.395 | 3P241001 | 3,438,389 |
| Pass-through from the State of Florida: | | | |
| 2011-2012 Award (Jacksonville) | 84.395A | 160-RS111-2C001 | 984,924 |
| 2011-2012 Award (Miami-Dade) | 84.395A | 130-RS111-2C001 | 1,474,441 |
| Pass-through from the State of Massachusetts: | | | |
| 2011-2012 Award (State) | 84.395 | 12RFQAPAMV4 | 250,312 |
| 2011-2012 Award (Bedford) | 84.395 | 12RFQAPAMV4 | 135,237 |
| 2011-2012 Award (Lawrence) | 84.395 | 12RFQAPAMV4 | 116,812 |
| Pass-through from the State of North Carolina: | | | |
| 2011-2012 Award - ARRA | 84.395 | EP4799470 | 1,928,128 |
| Pass-through from the State of Ohio: | | | |
| 2012 Award | 84.395 | 2012-1 | 187,211 |
| Pass-through from the State of Rhode Island: | | | |
| 2012-2014 Award | 84.395 | PO#3277047 | 213,652 |
| Pass-through from the State of Tennessee: | | | |
| 2011-2012 Award (Memphis) - ARRA | 84.395 | EDRTTACHSCLD11 | 1,701,000 |
| 2011-2012 Award (Nashville) - ARRA | 84.395 | EDRTTACHSCLD11 | 1,125,000 |
| Total Race to the Top | | | 11,555,106 |

Teach For America, Inc.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA# | Contract Number | Federal Expenditures |
|---|---|---|---|
| Pass-through from the State of Hawaii | | | |
| Provision of an Alternative Route to (Regular Education) | | | |
| Teacher Certification for the Hawaii Department of Education | 84.395A | CO-10322 | $ 505,181 |
| Pass-through from the State of Mississippi | | | |
| Title II, Part A, Teacher and Principal Training & Recruiting | | | |
| Fund | 84.367A | ES367A100023 | 600,000 |
| Total U.S. Department of Education | | | 38,678,079 |
| *United States Department of the Interior* | | | |
| Pass-through from the State of New Mexico | | | |
| Teacher Recruitment Support Services | 15.XXX | A12PC00228 | 36,098 |
| Total Expenditures of Federal Awards | | | $ 51,987,748 |

*The accompanying notes to schedule of expenditures of federal awards should be read in conjunction with this schedule.*

Teach For America, Inc.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2012

### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting and includes the federal award expenditures of Teach For America, Inc. ("Teach For America") for the year ended September 30, 2012. The schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

### NOTE B - INDIRECT COSTS

For the year ended September 30, 2012, indirect costs charged to federal awards were based upon provisional rates negotiated with Teach For America's cognizant federal agency, the U.S. Department of Education.

### NOTE C - SUBRECIPIENT

Of the federal expenditures presented on the schedule, Teach For America provided federal awards to the following subrecipient from the Investment in Education Fund (i3) - ARRA:

| Program Title | Federal CFDA Number | Amounts Provided to Subrecipient |
|---|---|---|
| Mathematica | 84.396A | $ 1,469,130 |

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors of
**Teach For America:**

We have audited the consolidated financial statements of Teach For America, Inc. ("TFA") as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated February 27, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered TFA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of TFA's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of TFA's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in TFA's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Our audit was also not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01, that we consider to be a significant deficiency in TFA's internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether TFA's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we have reported to TFA's management in a separate letter dated February 27, 2013.

This report is intended solely for the information and use of TFA's Board of Directors, Audit Committee and management, the federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

GRANT THORNTON LLP

New York, New York
February 27, 2013

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE RELATED TO MAJOR PROGRAMS (OMB CIRCULAR A-133) AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
**Teach For America:**

**Compliance**

We have audited Teach For America, Inc.'s ("TFA") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. TFA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of TFA's management. Our responsibility is to express an opinion on TFA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TFA's compliance with those requirements.

In our opinion, TFA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-02 that is required to be reported in accordance with OMB Circular A-133.

**Internal Control over Compliance**

Management of TFA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered TFA's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designed audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of TFA's internal control over compliance. Accordingly, we express no such opinion.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weakness. Given then limitations, during our audit we did not identify any deficiencies in TFA's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were no identified.

We did not audit TFA's written response to the matters described in the accompanying Schedule of Findings and Questioned Costs and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of TFA's Board of Directors, Audit Committee and management, the federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Grant Thornton LLP

New York, New York
February 27, 2013

Teach For America, Inc.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2012

### SECTION I - SUMMARY OF AUDITORS' RESULTS

**Financial Statements:**

| | |
|---|---|
| Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting:<br>Material weakness(es) identified? | _ yes X no |
| Significant deficiencies identified that are not considered to be material weakness(es)? | X yes _ none reported |
| Noncompliance material to financial statements noted? | _ yes X no |

**Federal Awards:**

| | |
|---|---|
| Internal control over each major programs:<br>Material weakness(es) identified? | _ yes X no |
| Significant deficiencies identified that are not considered to be material weakness(es)? | _ yes X none reported |
| Type of auditor's report issued on compliance for the major program: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | X yes _ no |

**Identification of major program:**

| Name of Federal Program or Cluster | Federal CFDA # |
|---|---|
| U.S. Department of Education: | |
| Investment in Education Fund (i3) - ARRA | 84.396A |
| Race to the Top - ARRA | 84.395; 84.395A |
| Supporting Effective Education Development (SEED) and Title II, Part A, Teacher and Principal Training & Recruiting Fund | 84.367D; 84.367A |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $1,559,632 |
| Auditee qualified as low-risk auditee? | X yes _ no |

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Finding 2012-01 – Contribution Revenue Recognition

**Criteria, Condition and Effect:**
As part of our procedures of TFA's contributions revenue we noted certain internal correspondence relating to a five-year, $5 million promise to give ("pledge") that contained references documenting that the pledge was actually made in fiscal 2011. However, only the $1million installment actually received was recorded in fiscal 2011. Upon review of additional internal correspondence, dated Spring 2012, we noted what appeared to be some confusion and potential miscommunication stemming from the Regional Office in connection with the remaining $4 million of the original $5 million pledge; however a decision was made to record this remaining balance, net of discount, within the fiscal 2012 activity. Based on our review of the correspondence, including an email from the donor, we noted that the donor correspondence made reference to a "condition" that the Regional Office needed to meet. The reference to this condition potentially created a scenario where the remaining pledge amount should not have been recorded until the condition is met. We were informed that management initially believed that the condition was met in fiscal 2012, thereby allowing the remaining pledge to be recorded. Upon request for additional clarification surrounding the donor imposed condition, it was concluded that the donor-imposed condition is an annual condition. Consequently contributions revenue was downwardly adjusted by $3 million.

**Recommendation:**
We recommend that communications and, where appropriate, procedures between TFA National and the Regional Offices be strengthened to ensure clarity of understanding of donor intent. As appropriate, we also recommend that any additional documentation considered necessary to fully support donor intent continue to be obtained directly from the donor, whenever possible.

**View of Responsible Officials and Planned Corrective Action:**
Management asserts and confirms that controls are in place to recognize contribution revenues accurately and on a timely basis. Detailed guidance is provided to all regions indicating how and when to record revenues. Also, as a result of our significant increase in scale and complexity, guidance is updated at a minimum annually. Ultimately, there are at least two formal levels of review controls. First, regions record revenues per the provided guidance. Second, the Gift Operations team reviews regional entries and documentation against all relevant guidelines, and follows up with regions should there be questions or clarifications. Finally, the General Accounting team conducts a final review of all entries, their respective documentation, including communications between the regions and gift operations, and revenue recognition guidelines prior to posting entries. The effectiveness of our controls is evidenced by the fact that over the last few years, as the organization scaled significantly, no revenue recognition issues have surfaced.

Management believes that this is a unique incident resulting from ambiguity in the wording of this particular communication from the donor documenting the details of the pledge. It is highly unusual for a donor to include two very large and generous grants in one email for the same dollar amount and for the same length of time, and for the conditions to be so similar. As a result, management strives to understand why this unique case rose to the level of a significant deficiency, given that no additional issues were identified after the auditors performed additional testing, and no other control issues were noted surrounding revenue recognition. However, management's primary focus continues to be on consistently reviewing and testing the ongoing effectiveness of its policies, procedures, and controls as the organization continues to increase its scale and complexity, to ensure that pledge documentation is as detailed and comprehensive as possible so as to minimize and seek to eliminate any potential ambiguity. As a result, management has already initiated additional steps to continue to improve the communications, staff development, and training to ensure that the effectiveness of the organization's controls continue to scale with the organization.

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Finding 2012-02 –Level of Effort – Certification of Effort

### Department of Education – Race to the Top (CFDA # 84.395 and 84.395A)

**Criteria:**
Among other things, OMB Circular A-122 requires certification of effort by the individual and/or principal investigator whose effort is charged to federal awards.

**Condition and Effect:**
Effective June 1, 2012, the organization with the mutual understanding of its cognizant agency (Department of Education), established an updated policy to obtain after-the-fact certification of effort from all individuals who charge effort to federal awards. We were informed that such policy would be implemented using a phased approach, with organization-wide implementation effective October 1, 2012. Of the total 25 (twenty-five) item population tested, we noted fourteen (14) instances, all of which occurred subsequent to June 1, 2012, where the updated certification of effort policy was not scheduled to take place until October 1, 2012.

**Questioned Costs:**
None, as the organization continued its use of the timesheet system and, charges were allowable under the award.

**Recommendation:**
We recommend that Teach For America, Inc., fully implement its certification of effort system on an organization-wide basis.

**View of Responsible Officials and Planned Corrective Action:**
Prior to June 2012, Teach For America's process for time and effort reporting was predicated upon the concept that Teach For America is one program supported by functional projects such as recruitment, admissions and summer training institutes, among others. Each week staff members submitted hours worked across functional project areas in our automated timekeeping system. Managers subsequently reviewed and approved each time allocation submission. Finally, personnel costs were charged to grants by applying those equitable allocations to the portion of the project funded by a grant, or a set of grants respectively. Teach For America's legacy approach to time and effort reporting has been reviewed by its external auditor, Grant Thornton as part of its annual A-133 audit and, although viewed as non-standard, was deemed acceptable.

Nevertheless, management determined that it was not prudent to implement an enhanced, albeit interim and paper-based, organization wide system without significant adverse impact to its operations given the short implementation window. Management therefore decided that a staged approach would be most effective. Accordingly, management prioritized the largest grants in fiscal year 2012, and staged all federal grants to fold into the system effective October 2012, which marks the beginning of fiscal year 2013, to ensure that all federal grants were treated consistently. The final phase of the project is ongoing and we expect to move from the current paper-based interim system to a more scalable automated system within the next year.

Teach For America, Inc.

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN

For the year ended September 30, 2012

No prior year findings were noted.